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Stability Seen for Dollar

But Markets Seek U.S. Action on Rates, Budget

By Reginald Dale
International Herald Tribune
PARIS — The storm-tossed dollar could soon enter calmer waters if the U.S. authorities make a determined effort to support it, a number of European and U.S. financial analysts said Friday.

The market distrust of the dollar may be nearing an end, but the markets still need "good news" from Washington to be convinced that the worst of the dollar's fall is over, several of the analysts said.

The dollar has lost 8 percent to 9 percent of its value against most major currencies since mid-October. It continued to fall in international markets on Friday after hitting record lows in New York on Thursday.

In New York, the dollar fell to 128.35 yen on Friday from 129.05 on Thursday, and to 1.6315 Deutsche marks from 1.6325. (Page 21)

If the United States wants to try to hold the exchange rate at around these levels, at least temporarily, the perverse psychology of the markets could change quickly, according to several analysts.

"When everyone thinks that a currency is going down," said Jean Cheval, chief economist at Banque Indosuez in Paris, "it is very usual that there should be a reversal. Wait a few days."

The same view was expressed by Gary Shilling, president of Shilling & Co., a New York economic consultant and portfolio strategist. "When there is a unanimous conviction about something, sentiment is usually about to move the other way," he said.

The Bottom Line: Both Sides Were Ready to Deal

By David Hoffman
Washington Post Service

WASHINGTON — Propelled by the imperatives of political self-interest and the burden of the arms race on their nations, President Ronald Reagan and Mikhail S. Gorbachev demonstrated this week that they had found a new way to do business with each other.

Gone was the tentativeness of Geneva or the recklessness of Reykjavik. For the first time since Mr. Gorbachev came to power and Mr. Reagan decided the time had come to do business with the Russians, both leaders came to the table ready to deal — albeit modestly — and ready to acknowledge where they were unable to deal.

In the joint statement they issued Thursday night, for example, they decided to finess the issue of Mr. Reagan's Strategic Defense Initiative, known as the "star wars" program, on which the Iceland summit meeting foundered 14 months ago.

In Reykjavik, Mr. Reagan stalked out because he could not accept the Soviet demand that research on his proposed missile defense system be confined to the laboratory.

The Soviets have dropped that demand, and now both leaders have settled for writing a vague formulation on the program that postpones the day of reckoning and allows them to disagree without disrupting their relations. It may even permit them to reach a second arms control agreement on long-range strategic weapons next year.

Nor did they find common ground this week on the issues of Soviet occupation of Afghanistan or human rights, but they did not walk away in acrimony on either count. They declared they would probably meet again next year, even if they do not have another treaty to sign.

And they signed the treaty to eliminate medium- and shorter-range nuclear missiles in a celebration of mutual satisfaction.

After years of angry rhetoric in which Mr. Reagan predicted the demise of Communism in the "dustbin of history" and the Soviets depicted Mr. Reagan as a nuclear-crazed cowboy, the two leaders found themselves talking in virtually the same optimistic language.

Mr. Reagan's senior advisers had said before the summit meeting that they wanted to send a political message to the American people that the intermediate-range nuclear forces treaty was a "first step" toward reductions in strategic arms. Those advisers said they were surprised to find Mr. Gorbachev doing their work for them from his arrival through his final news conference on Thursday night.

In a comment that could have been lifted from a dozen Reagan speeches, the Soviet leader said on his departure from the White House that the INF treaty was "an unprecedented step in the history of the nuclear age: the signing of the treaty under which the two militarily and strategically greatest powers have assumed an obligation to actually destroy a portion of their nuclear weapons."

In a subtle — but for the Soviets enormously important — gesture to the Soviet leader, Mr. Reagan's speeches in Mr. Gorbachev's presence were scrubbed clean of the confrontational anti-Soviet insults that studded his rhetoric for years. There were no comments about the failing Soviet economy.

See TONE, Page 2

Reagan Says SDI Is No Obstacle to More Arms Cuts

By Lou Cannon
Washington Post Service

WASHINGTON — President Ronald Reagan said Friday that his Strategic Defense Initiative had emerged intact from his summit meeting with Mikhail S. Gorbachev despite Soviet objections to the space-based missile defense plan.

He contended that the superpowers were now "in a better position to make tangible gains in arms reduction than at any time in the last 40 years."

At a news conference, he said in answer to a question, "I don't think there is any impediment there at all," when asked if research on the missile-defense system might block efforts to reduce longer-range weaponry at the strategic arms reduction talks, known as START.

A Soviet demand that SDI be restricted as a condition for progress on strategic arms "has been eliminated," Mr. Reagan told representatives of U.S. regional news organizations.

Mr. Reagan, in an upbeat mood after his three days of meetings with Mr. Gorbachev, gained praise from a bipartisan group of congressional leaders who gathered in the White House to hear his report on the summit meeting.

When the president entered the cabinet room, the congressmen gave him a standing ovation for the first time at such a meeting since the achievement of a compromise on Social Security in 1983.

In his own post-summit comments, Mr. Gorbachev continued to assail the SDI program and Mr. Reagan's remark appeared to go beyond what U.S. officials were saying privately.

"He is trying to make an assessment of what the Soviets are up to," one official quoted by Reuters said. "But you have to address that question to the Soviets."

The White House optimism about the results of the summit meeting was bolstered by a survey taken by the president's poll taker, Richard B. Wirthlin, which showed a 61-percent public approval rating for Mr. Reagan.

In the aftermath of the summit meeting, the third between the two leaders, White House officials speculated if results of the meeting would prolong the effective life of the Reagan presidency, especially since Mr. Reagan has agreed to go to Moscow during the first six months of next year.

The leaders hope to sign a strategic arms agreement at the Moscow meeting, but a joint statement committed Mr. Reagan to this meeting, whether or not an agreement is ready to be signed.

The joint statement sidesteps the crucial issue of limiting SDI, and Mr. Gorbachev made it clear in a news conference before he left Washington that he is just as much opposed as he always has been to Mr. Reagan's plan for a missile defense system.

SDI Testing 'as Required'
In the joint statement, the United States and the Soviet Union pledged to observe the 1972 anti-ballistic missile treaty, which constrains missile defenses while conducting research, development and testing "as required," news agencies reported.

The Senate Republican leader, Bob Dole of Kansas, who is seeking his party's presidential nomination, cautioned that "Gorbachev fever will pass."



Mikhail S. Gorbachev, left, with Erich Honecker on Friday. George P. Shultz, right, watching Sir Geoffrey Howe sign a verification accord on Friday.

Warsaw Pact and NATO Review Summit Results

In Berlin, Cheers for Gorbachev

By Serge Schmemmann
New York Times Service

BERLIN — Mikhail S. Gorbachev, stopping over in East Berlin on his way back to Moscow to brief fellow Communist leaders on his Washington summit meeting, was given a triumphant welcome Friday by the leaders and thousands of East Berliners who cheered him along the motorcade route.

After talks, the Warsaw Pact issued a statement on North Atlantic Treaty Organization proposals to modernize tactical, or short-range, arms, saying that "concern was expressed at the intentions of certain NATO circles to compensate the elimination of both classes of nuclear weapons on the continent by increasing and modernizing other weapon types."

There have been NATO proposals to modernize short-range nuclear missiles, which are not covered by the INF treaty, and to improve conventional forces.

The briefing of other Warsaw Pact leaders followed a practice Mr. Gorbachev had established after the summit meetings in Geneva and Reykjavik.

In Brussels, Praise for the Treaty

By John M. Goshko
Washington Post Service

BRUSSELS — America's European allies hailed the U.S.-Soviet agreement to eliminate intermediate-range nuclear missiles as "a treaty without precedent in the history of arms control."

Foreign ministers of the 16-nation North Atlantic Treaty Organization put that language in the opening sentence of a communiqué after hearing a detailed briefing by Secretary of State George P. Shultz about the summit meeting held in Washington.

President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev, signed the treaty on Tuesday.

Behind the public praise in Brussels for the treaty removing medium- and shorter-range nuclear missiles from the U.S. and Soviet arsenals, there was some grumbling, notably by France, about new problems that the accord might create for the defense of Western Europe.

NATO sources said that France had refused to permit the use of the word "historic" in the description of the treaty in the communiqué.

Still, U.S. officials insisted that the dominant attitude among the allies was enthusiasm and that their major concern was that the U.S. Senate might not ratify the treaty speedily.

Speaking of the Europeans, Mr. Shultz said at a news conference: "They read about people in the United States questioning the treaty, and it causes concern. The sentiment in the communiqué is strong and unambiguous that people in the alliance want to see this treaty take effect."

American conservatives have asserted that European governments fear the treaty will tip the military balance in the Soviet Union's favor.

In criticism obviously aimed at the conservatives, Mr. Shultz said, "My European colleagues take particular umbrage at American who presume to speak for Europe and say the Europeans don't want this treaty."

Kiosk

Iran Says Paris To End Boycott

VIENNA (NYT) — Iranian oil officials said Friday that France and Iran had agreed in principle on an end of the boycott that France imposed on the purchase of Iranian oil in the summer, as part of an accord that allowed the return of two French hostages from Beirut last month.

The officials are members of the Iranian delegation at the meeting of the Organization of Petroleum Exporting Countries, French oil industry sources said that it was too early to say a deal was set but that such an arrangement would be put into effect when full diplomatic relations between the two countries were resumed.

Mr. Heifetz had undergone neurosurgery after entering the hospital Oct. 16 to be treated for complications arising from a fall. Earlier, officials said he had a malignant brain tumor.

Jascha Heifetz, 86, Violin's Master Of Technique and Silken Tone, Dies

United Press International
LOS ANGELES — Jascha Heifetz, 86, who at age 16 was recognized as one of the world's foremost violinists and who maintained this status for more than 50 years, died late Thursday at Cedars-Sinai Medical Center.

Mr. Heifetz had undergone neurosurgery after entering the hospital Oct. 16 to be treated for complications arising from a fall. Earlier, officials said he had a malignant brain tumor.

When he made his U.S. debut at Carnegie Hall on Oct. 27, 1917, two of the listeners were the pianist Leopold Godowsky and the violinist Mischa Elman. As the young Heifetz played, Mr. Elman mopped his brow and said to Mr. Godowsky: "It's rather warm in here."

Heifetz was recognized as perhaps the greatest violinist of his time. His playing was notable for its silken tone, its technical perfection and its careful regard for the composer's slightest markings.

He avoided showmanship, partly because he lacked the flair for it, but more particularly because he thought it was in bad taste. The critic James Gibbon Huneker defined the Heifetz approach as advocacy of "the Grecian ideal of art."

Jascha Heifetz was born Feb. 2, 1901, in Vilna, Lithuania. His father, Rubin, a violinist, taught him to play at the age of 3. At 5, Jascha entered the Royal School of Music

ASEAN Looks Toward Japan

6 Nations Seek Expansion of Trade With Regional Giant

By Michael Richardson
International Herald Tribune
SINGAPORE — When ASEAN opens its first summit meeting in 10 years Monday in Manila, members will be striving to expand the economic and political cooperation that officials say is vital if the group is to retain its international influence.

But analysts said Friday that developing closer ties with Japan may turn out to be the most important element in future economic growth for the organization, the Association of Southeast Asian Nations.

They said it was significant that Prime Minister Noboru Takeshita of Japan is the only non-ASEAN leader invited to the Manila meeting.

A Murder in Quebec Highlights the Plight of Blacks

By John F. Burns
New York Times Service

MONTREAL — Anthony Griffin could scarcely have guessed that an argument with a cab driver here last month would end with Mr. Griffin dead in the parking lot of a police station, victim of a police bullet in the forehead. Much less could he have known that this would become a landmark in the troubled history of one of Quebec's forgotten minorities.

Mr. Griffin, 19, was one of 120,000 blacks in this city of 2.8 million, a member of a community that traces its origin to the establishment of the French settlement. According to a recent history of blacks in the province, the first black man to set foot in Montreal, Matthew da Costa, arrived in 1632 with Samuel de Champlain, the French navigator who founded Quebec; da Costa spoke the Micmac language, essential in Champlain's dealings with Indians.

More Summit News

World leaders seem at a loss to characterize the summit. Page 6.
Ronald Reagan and Mikhail S. Gorbachev praised the achievements of the Washington meeting. Page 6.
The meaning of glasnost is a matter of debate in Moscow. Page 6.

Japan and the United States are the main sources of trade and investment for the organization, which links Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

However, studies made by some officials show that the potential for growth in Japanese investment abroad is much bigger than for the United States. Only 4 percent of Japan's industrial production is done offshore compared with 20 percent for the United States.

Japan buys about 10 percent of the organization's manufactured exports. The United States takes 30 percent. ASEAN leaders, worried that U.S. imports and investments may decline, are looking to Japan to buy more from Southeast Asia and invest more in the region.

Dow close: UP 11.60
The dollar in New York:
DM 1.6315 1.638 128.35 5.5345

AMERICAN TOPICS



REMEMBERING THEIR MEETING AT THE ELBE — Bill Robertson, left, and Alexander Silavshko embrace at the Soviet Embassy in Washington during a reunion of Soviet and U.S. World War II veterans...

A Royal Precedent For Gorbachev Visit

Mikhail S. Gorbachev's visit in the United States recalls the tour of another Russian guest more than a century ago. James W. Symington, a lawyer and former Democratic congressman from Missouri, recounts in The New York Times that the 1871 visit of Grand Duke Alexis, fourth son of Czar Alexander II, lasted three months.

Generals Philip H. Sheridan and George A. Custer.

The Duke survived everything, even a hail of snowballs from mischievous boys in St. Louis, Missouri, and a linerick by a forgotten versifier that went: There is a Grand Duke named Alexis Who from Maine down to southernmost Texas In all of our cities Must suffer committees For of Russia his father the Rex is.

Short Takes

The former commanding officer of the New York state militia admitted in court that for five years in the early 1980s he led a double life. Vito J. Castellano, 61, was a prosecution witness in the trial of Bernard G. Ehrlich, 59, another former militia officer, who is charged with bribing Mr. Castellano to help get business for Weidert Corp., a military contractor. The witness said he married his first wife, Doro-

thy, in the mid-1940s, divorced her in 1979 and married his second wife, Linda, the same year. He divorced Linda in 1980 or 1981, remarried Dorothy, then remarried Linda without a second divorce from Dorothy, who died last spring. He said that he changed the locks of his two homes so that the same key would fit both front doors.

The first thing springing Santa Claus' mind is to forget the heavy "Ho ho ho." It scares the children," says Tammy Goodson, who trains seasonal Santas for Los Angeles stores and civic groups. Santas get a handbook to help them brush up on such things as the names of all eight reindeer, not to be confused with the seven dwarfs. They also are asked to sit through Saturday morning television cartoons and commercials to acquaint themselves with the latest in kiddie Christmas wishes. They are warned that "Santa over promises anything and he listens very carefully."

—ARTHUR HIGBEE

Iran Subverts UN's Authority, Chief Says

By Paul Lewis New York Times Service UNITED NATIONS, New York — Secretary-General Javier Pérez de Cuéllar has told the UN Security Council that its authority was being undermined by Iran's refusal to accept its cease-fire call and indicated he felt it was time to impose an arms embargo.

forces near the front, apparently in preparation for a winter offensive. As a result, the three countries have been pressing the council for some months to start drafting an arms embargo that would be mandatory for all UN member countries under the charter.

The Soviet Union and China, which also have permanent Security Council seats and vetoes, are resisting, saying the secretary-general should be given more time to negotiate with Iran and Iraq.

secretary-general at the United Nations two weeks ago that his government is still trying in vain to accept the peace plan with a public denunciation of Iraq as the aggressor in the war.

UN Envoy Talks to Afghan Guerrillas And Ex-King on Transitional Regime

By Paul Lewis New York Times Service UNITED NATIONS, New York — A UN envoy has opened negotiations with the exiled king of Afghanistan and guerrilla leaders on a transitional government to take power if the Soviet Union withdraws its forces, diplomats and officials said.

The envoy, Diego Cordovez, who is trying to negotiate a political settlement to the Afghan war in talks with Afghan and Pakistani officials in Geneva, flew to Rome on Saturday for a secret meeting with King Mohammed Zahir Shah, the diplomat said.

Officials said the secretary-general hopes that the next and possibly final round of "proximity talks" between officials of the present Afghan government and Pakistan, which represents the guerrillas, could be held in Geneva in February.

The king, who was deposed in 1973, told Mr. Cordovez last week that he would use his influence to encourage guerrilla leaders to form a broad coalition of national reconciliation, diplomats said.

The king, who is described as extremely cautious, also indicated that if the Russians left, he would probably be willing to return to Afghanistan as a constitutional monarch with little political power.

And those involved in the negotiations said the guerrillas are becoming more flexible in private discussions as they begin to believe the Soviet Union is seriously interested in withdrawing.

U.S. Panel Will Decide About Cuban Detainees

WASHINGTON — The decision on whether to send Cuban detainees back to Cuba will be taken away from immigration authorities and entrusted to a special panel of the Justice Department, Reagan administration officials said.

The officials said Thursday that the change was being made because the detained Cubans, including those who seized federal prisons and hostages in Atlanta and in Oakland, Louisiana, distracted the Immigration and Naturalization Service and the procedures it used to determine who would be released on parole.

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U.S. Church to Teach About Condoms Catholic Bishops Back Anti-AIDS Educational Programs

By Ari L. Goldman New York Times Service NEW YORK — The Roman Catholic bishops of the United States, longtime supporters of their church's ban on artificial birth control, have offered qualified support for teaching about condoms in educational programs aimed at fighting the spread of AIDS.

The statement was released in Washington by the 50-member Administrative Board of the U.S. Catholic Conference, which represents the 300 U.S. bishops.

The bishops state firmly that they oppose the approaches to AIDS prevention that involve the so-called "safe sex" methods, such as condoms, which do not involve the exchange of bodily fluids.

Slam Stewart, Bassist Who Wrote 'Flat Foot Floogie,' Is Dead at 73

New York Times Service NEW YORK — Slam Stewart, 73, a distinguished jazz bassist celebrated for singing along with his solos, died of congestive heart failure Wednesday at his home in Binghamton, New York.

Mr. Stewart began singing along with his bowed bass, but pitching a broader, more sumptuous sound. He introduced the technique in New York when he arrived there and began free-lancing in 1935.

Frederic Grunfeld, 58, Biographer of Rodin NEW YORK (NYT) — Frederic V. Grunfeld, 58, an author and journalist whose biography of the French sculptor Auguste Rodin was published last month, died of a heart attack Wednesday in Barcelona, and had been a cultural correspondent in Europe for three decades.

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Vertical text on the left margin including 'Hostage', 'Hunger Strike', 'Chess Match', 'Move on P...', 'on Junta to', 'UPDATE', 'Sharing of Route', 'Carheads'.

INTERNATIONAL **Herald Tribune**

Published With The New York Times and The Washington Post

It Was a Good Summit

The third Reagan-Gorbachev summit meeting ended in something less than total cheers and hurrahs. That is probably just as well. A valuable missile treaty in the making was signed as scheduled; although Mikhail Gorbachev reported "some headway" in reducing strategic arms, the work done on regional disputes and on human rights fell short of producing accord. No one who observed the lunches last year at Reykjavik, however, would argue that summits are necessarily the right place for bold negotiating breakthroughs. All over Washington Mr. Gorbachev displayed his wit and energy, but we surmise, not too many people took this display as the last word on the summit. By the end of the three days, it seemed that contacts between the leaders had been extended, issues clarified and impetus given to a search for ways to ease the real differences between the two countries. That is plenty.

A New Warning on Trade

Bad news on the October trade deficit came right in the middle of the Washington summit conference. Even as President Reagan and Mikhail Gorbachev explored arms control, there was — stark confirmation that the Soviet Union is not the only superpower with economic problems. America's economy is also out of kilter, and the experts are not sure how to fix it. Uncertainty is particularly pronounced over the trade deficit. For two years, Washington has acted on rosy assumptions that the imbalance of exports and imports would shrink as the value of the dollar fell. Even after the stock market sounded its alarm on Oct. 19, the White House and Congress believed that a modest, partly fake attack on the root problem — the budget deficit — was sufficient response. Comes now a new warning.

This Is Not Appeasement?

France has packed 14 Iranians and three Turks onto an airplane bound for Gabon in West Africa. An additional eight Iranians and a Turk are under house arrest. All were accused of harboring French interests by plotting against the Khomenei regime. Oh no, says Paris, this is not appeasement and has nothing to do with other efforts to placate Iran and gain the release of two French hostages held in Lebanon. Who could possibly think otherwise? It happens that all this was consummated on the day that commemorates the signing of the great United Nations Human Rights Declaration — inspired by France's own epochal declaration in 1789.

view of the other's goals and limits. A clearer view would help them pursue understandings of mutual advantage. It also should show them where further agreements will be hard to come by. Both leaders use words such as "true peace" and "good peace" to describe their aims. But nothing in their shared national experiences suggests that all differences between their countries are artificial, accidental, unnatural, soluble — far from it. The right Soviet-American goal remains to reduce the costs and perils of a difficult adversarial relationship.

The point is tellingly illustrated by Mr. Gorbachev's continuing inability to grasp the American view that a prime purpose of the American view is to see the Soviet Union put into practice its commitments on emigration and human rights. Evidently he had thought some lesser gestures and an emphasis on arms control and peace would ease the pressure on this front. When it did not, he responded sharply and in some instances hilariously, as in his suggestion that Moscow in limiting Jewish emigration does only what Washington does in limiting Mexican immigration. By opening himself to a good range of American opinion on this and other issues, however, Mr. Gorbachev used the summit well. Presumably he will carry his findings back to the Politburo. We hope that, on a return trip, he does more business and continues his education, and that Mr. Reagan does the same when he goes to Moscow next spring.

— THE WASHINGTON POST.

Drunk on Détente, and Stuck With the Tab

WASHINGTON — Mikhail Gorbachev had the sort of audience one politician defined as ideal: intelligent, well-educated and slightly drunk. Drunk, that is, on détente. This December is springtime for détente, the catalyst of which is arms control. Consider this paradox: If the Soviet Union has suddenly abandoned its aspiration for world hegemony — if the regime has discarded the Leninist basis of its legitimacy — arms control is not urgent. If the aspiration persists, the Soviets seek arms agreements as its instrument.

Time for ASEAN to Go Beyond Chilies and Snowplows

KUALA LUMPUR — There is a sense of poignancy in having the third summit meeting of the ASEAN countries in Manila. ASEAN is reshaping its future while the host nation is trying to find one. The six-member group is seeking stronger regional bonds while the Philippines remains a house divided.

Other Comment

Keeping the Trenches Quiet

[Mikhail] Gorbachev wants the trenches to stay quiet for the next few years, while he goes about his reorganization job behind the lines. He is doubtless sincere in saying that no future skirmish should be allowed to go nuclear. That is only a limited comfort. Pluralism and Leninism will stare grimly at each other so long as they exist.

100, 75 AND 50 YEARS AGO

1887: Unrest in Moscow
MOSCOW — The disaffection among the students at the University has spread to the Petrofsky Agricultural Academy. Both buildings are surrounded by troops. The people of Moscow are much concerned at the unfortunate state of affairs, and it is feared in some quarters that serious consequences may ensue. In consequence of the disturbances, the rector has caused official placards to be posted up announcing that the University is closed until further notice.

1912: Million-Share Days
NEW YORK — This was the third million-share day. Such an outburst of activity usually marks the culmination of a movement, whether for a rise or for a fall. The transactions today [Dec. 11] in fact ran above 1,300,000 shares, and the market was peculiar, inasmuch as three issues — Steels, Unions and Readings — furnished much more than half of all

This 'Scrap of Paper' Was Worth the Effort

By Thomas Powers

WASHINGTON — It was not just a scrap of paper but something closer to a reprieve that Ronald Reagan and Mikhail Gorbachev signed in Washington, thereby tacking at least 10 minutes onto the expected life span of Western civilization. You would think everybody might raise a glass of Christmas eggnog to that, but when the auditors tore up the balance sheet for the INF treaty, you can bet they will heavily discount — if they take notice at all — the sigh of relief from those who live inside the target circles.

"Target" is a word that should suggest shooting and violence. No one professionally involved in the business of national defense thinks of "intermediate-range nuclear forces" — missiles with a range of 300 to 3,000 miles (about 500 to 5,000 kilometers) — as actual weapons. All agree they are too dangerous to use. Arms treaties have other purposes — securing Ronald Reagan's place in history, for example, or freeing billions of rubles for Mikhail Gorbachev's economic reforms.

But the real significance of the INF treaty is hidden in plain sight. It will reduce the level of violence in the event of a big war in Europe — a continent so crowded that the experts sometimes talk of German towns as being only two kilotons apart. Since we are talking about scrapping 2,600 missiles, this ought to qualify as a big deal. But skeptics of the right will say the treaty only exchanges one threat for another — Soviet nukes for Soviet tanks, which outnumber NATO tanks three to one. Skeptics of the left will say the treaty doesn't matter because both sides retain nukes enough of other types to leave Europe looking like an empty parking lot. Skeptics of the center will say the Euro-missile controversy was all politics from the beginning. If you listen to the skeptics you can't help wondering why both sides fought so long over what amounts to a scrap of paper.

The hardest thing in any arms-control negotiation is to take an agreement seriously after it is signed. The agreements seem so paltry, the effort so long and wearing, the remaining arsenal still so large. The first U.S.-Soviet agreement of significance was signed in 1963. It banned nuclear tests in the atmosphere but did nothing to limit tests underground — both sides have developed and tested scores of new warheads since then. "What difference did it make?" the skeptics ask.

In 1972 came the first SALT agreement, which set "limits" on strategic weapons — that is, it allowed the building of new weapons already on the drawing board. The second SALT agreement, signed in 1979 but never ratified by the U.S. Senate, "allowed" both sides to build one new strategic system — the American MX and a similar Soviet missile. For skeptics, this was like arguing over what color to paint the coffin.

But wait — don't forget what the chancellor of Germany, Theobald von Bethmann Hollweg, said about scraps of paper at the outset of World War I. He was aghast, incredulous, horrified that Britain planned to fight solely because it had solemnly promised Belgium — out paper — that it would fight if anyone violated Belgian neutrality. "Just for a scrap of paper," protested Bethmann Hollweg. "Great Britain is going to make war." Historians can cite 90 reasons why Britain went to war in 1914, but the reason the British gave at the time — the one thing that made looking the other way unthinkable — was that scrap of paper recording a solemn British promise.

As If Time Had Lost Its Neutrality

By Flora Lewis

WASHINGTON — The third Reagan-Gorbachev summit conference brought no major breakthroughs beyond the treaty banning medium-range missiles. But neither was there a breakdown as at Reykjavik, and hopes have been raised for more far-reaching accords next year. The Russians are in a hurry. They say Mikhail Gorbachev must make some fundamental decisions in the near future, and they depend very much on what kind of relations Moscow can expect with the United States up to the end of the century.

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MOSCOW — The disaffection among the students at the University has spread to the Petrofsky Agricultural Academy. Both buildings are surrounded by troops. The people of Moscow are much concerned at the unfortunate state of affairs, and it is feared in some quarters that serious consequences may ensue. In consequence of the disturbances, the rector has caused official placards to be posted up announcing that the University is closed until further notice.

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OPINION



The next summit should require a little less climbing.

SALT-2 agreement is not even a legal scrap of paper and yet it imposes immense moral restraint on the military planners of both sides. An ocean of ink has been spilled in the last decade over the wisdom of deploying intermediate-range missiles in Europe. The arguments are all moot. Henceforth, there shall be none — not because they are too expensive or scare the public or destabilize the nuclear balance or threaten greater dangers than the one they are designed to prevent — but because the two sides have solemnly agreed the number shall be zero.

But for all the strength of arms-control agreements, they cannot be said to have made us safe. This suggests a second reason why it is hard to take arms control agreements seriously — the weapons are too terrifying. The nuclear age has been one long episode of psychological denial — a plain refusal to admit the danger posed by nuclear weapons.

The abiding tone of the professional literature is one of reassurance — why it is all right to have weapons too dangerous to use, how they keep us

Time for ASEAN to Go Beyond Chilies and Snowplows

By Paul Chan

KUALA LUMPUR — There is a sense of poignancy in having the third summit meeting of the ASEAN countries in Manila. ASEAN is reshaping its future while the host nation is trying to find one. The six-member group is seeking stronger regional bonds while the Philippines remains a house divided.

Recent disruptions in global financial markets add to the uncertainties. The question is whether this will make ASEAN members more inward-looking than ever or, instead, more regionally minded.

100, 75 AND 50 YEARS AGO

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NEW YORK — This was the third million-share day. Such an outburst of activity usually marks the culmination of a movement, whether for a rise or for a fall. The transactions today [Dec. 11] in fact ran above 1,300,000 shares, and the market was peculiar, inasmuch as three issues — Steels, Unions and Readings — furnished much more than half of all

As If Time Had Lost Its Neutrality

By Flora Lewis

WASHINGTON — The third Reagan-Gorbachev summit conference brought no major breakthroughs beyond the treaty banning medium-range missiles. But neither was there a breakdown as at Reykjavik, and hopes have been raised for more far-reaching accords next year. The Russians are in a hurry. They say Mikhail Gorbachev must make some fundamental decisions in the near future, and they depend very much on what kind of relations Moscow can expect with the United States up to the end of the century.

According to Valentin Falin, they want to launch a new era with Reagan, partly because they realize they wait for another president could take three years or more to reach a point of decision, partly because "Mr. Gorbachev believes that if there is an agreement with this ultra-conservative president it will prove that his policy is realistic."

Mr. Falin is an important man in Moscow, now the head of the Soviet press agency Novosti. As such it is his job to tell the world what Moscow wants to hear. He has some interesting things to say when asked why Mr. Gorbachev is in such a hurry.

"Time is no longer neutral," Mr. Falin said in an interview. "It is being used now for developing a better reaction, but it is lost for positive goals. The possibility can be very negative." He listed several reasons the Soviet leader feels the moment is favorable.

First, there are internal factors: need for calm on the international scene so the Russians can mobilize not only material but managerial resources for perestroika, their "restructuring" program. "We need to see which branches of industry and agriculture we must develop, where to put priorities among civilian, military, dual-purpose efforts. We have to make overall investment decisions."

"In our eyes it is very important to be more or less sure how far we can agree with the U.S. on further development of military technology," he added. "Science is on the brink of far-reaching discoveries, in electronics, biochemistry, physics, chemistry. These deep discoveries could be turned to military use" as previously happened with nuclear physics, "and if we start on that, the genie will be out of the bottle. It will be very hard to go back, so we must be clear on both sides where we will restrain ourselves, what we can expect."

"The problem with your Strategic Defense Initiative is not the program itself. It is how far you really mean to go with dangerous technological developments for war in space as well as on the earth and at sea. Other nations will follow if you plunge ahead, and what we will do with it neither you nor we can decide."

Mr. Falin pointed out that many military systems in both Soviet and U.S. arsenals are growing obsolete. "Decisions have to be made whether to modernize with more dangerous, more accurate weapons or to get rid of them and reduce the arsenals." He spoke of ecological danger, and the short amount of time that may be left to protect the environment before the damage becomes irreversible.

"Neither you nor we have the resources to take the necessary measures, but we're putting them in military efforts."

It is clear that the Chernobyl accident had a deep impact on Mr. Gorbachev's thinking, forcing him not only to a new awareness of the danger of war but also of the uncertainties of the modern world. But Mr. Falin said the Soviet leader would "draw the consequences" if the United States refuses to join in long-term restraint.

There was a chilling threat in Mr. Falin's words, usually avoided in Mr. Gorbachev's public pronouncements but nonetheless implied. He said: "We won't copy you anymore, making planes to catch up with your missiles. We'll take asymmetrical means with new scientific principles available to us. Genetic engineering could be a hypothetical example. Things can be done for which neither side could find defenses or countermeasures, with very dangerous results."

"If you develop something in space, we could develop something on Earth. These are not just words. I know what I'm saying."

Threats have always been part of the Soviet approach to bargaining, and Mr. Falin is a veteran of Soviet diplomacy. But what he and other high-level Russians, particularly Mikhail Gorbachev, are saying shows they are thinking years ahead. They feel they are at a crossroads and they are impatient now.

1887: Unrest in Moscow
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OPINION

Don't Be Fooled, He's One of the Nasties

By A.M. Rosenthal

the Soviet government does not think it is in its best interests.

The political prisoners are living, suffering reminders that the Soviet Union is a police state. Even if they all were freed, that reality would not change, not as long as Mr. Gorbachev's police arm, the KGB, exists and the laws remain that...

ON MY MIND

permitted the police to lock up Soviet citizens for talking or writing.

But Moscow propagandists know the symbolic importance in the West of the political prisoners, and from time to time send out word that the calls will soon be unlocked. They get credit for what they do not deliver. In October, for instance, I wrote hopefully about the word dropped by the Soviet Union that there would be a big amnesty around the time of the Nov. 7 Bolshevik anniversary. The political prisoners still wait.

Fundamental change cannot come about until the prisoners are released, the system of police terrorism dismantled, the right of criticism guaranteed, not licensed, and the Communist Party's monopoly on political action broken.

What does it matter in Americans? This: The new treaty may be fine, but we will never be able to deal with Moscow in lasting trust as long as it remains a one-party dictatorship, a system with a record of seditious betrayal dating to the Hitler-Stalin pact of 1939.

Academics tell us that some members of Mr. Gorbachev's Politburo are cranky about him and we should rush in with economic and political aid to prevent the nasties from hurting him.

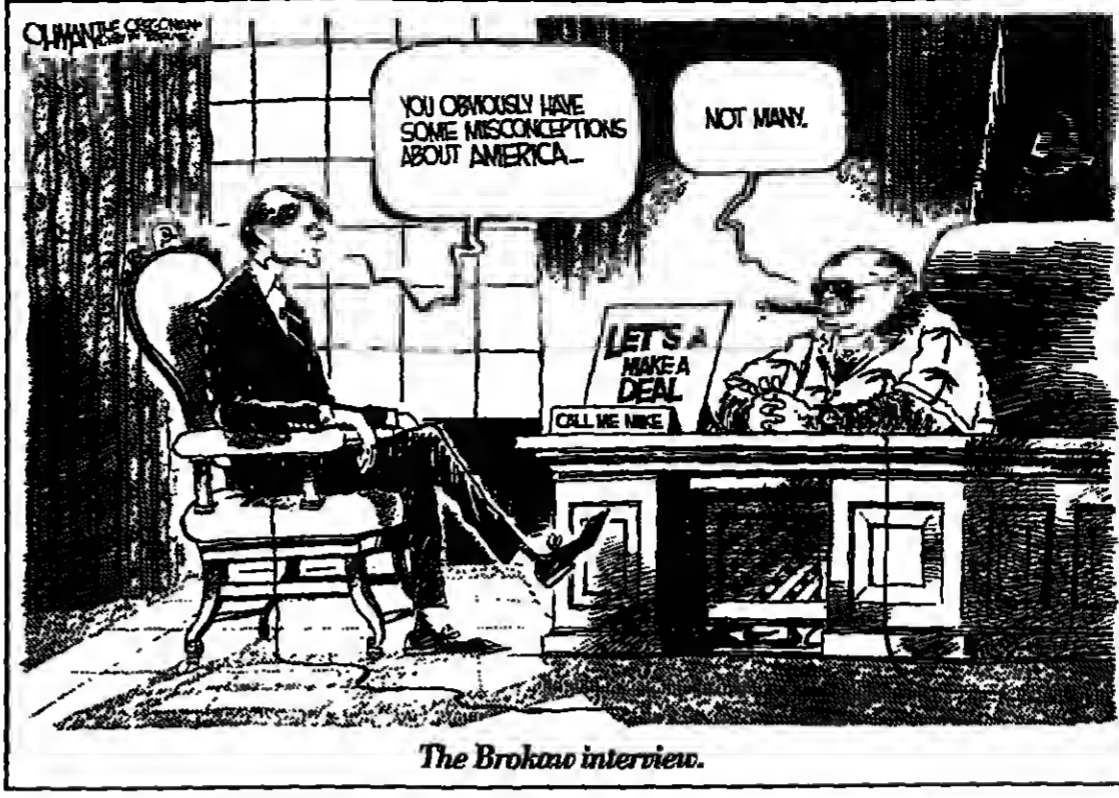
But when it comes in the Communist dictatorship, Mr. Gorbachev—the witty, outgoing Mr. Gorbachev—happens in be one of the nasties himself.

He has made that plain enough by his repeated statements about strengthening Communist Party control of the Soviet system and, during the summit conference, by his contemptuous dismissal of U.S. inquiries about human rights.

Our complaint cannot be with him. It is with those politicians, journalists and academicians who exaggerate glories, are faint at his charm and ooze with anxiety over his future.

Let Mr. Gorbachev take care of himself. The prisoners in his jails cannot. Only remembrance will kill the lie that they do not exist.

The New York Times



The Brokazo interview.

Co-Existence Over the Grill

By Joe Murray

LUFKIN, Texas — I guess it's just as well Mikhail Gorbachev decided to go directly back in Moscow instead of sticking around to see more of America.

He might have included Lufkin on his itinerary. Once he got here, there is a very real possibility he'd want to stay.

Heaven knows, Lufkin doesn't need to be at the center of an international incident. But I'd like to think the leader of the East would feel at home in East Texas.

For one thing, we have our very own Moscow — Moscow, Texas, population 170 — hardly a half-hour away on

MEANWHILE

the Houston highway. Nice town, nice folks. They have yet to intervene in Afghanistan. That other Moscow could take a lesson from them.

Something else occurred to me. You know how the Russians love parades with all their tanks and weapons on display. The traffic along Timberland Drive is a parade in itself. Every other vehicle is one of those two-story pickup trucks that makes a tank look like a kiddie car. As for firepower, check out those deer rifles hanging in the rear windows.

But the most fun of all would be sitting around with Mr. Communism himself. The good ol' boys meet the Evil Empire — Reds, neckties and longnecks (the bottles we like our beer in).

The bunch of us might even end up at my cabin on a little lake not too far from Lufkin, sitting in rocking chairs on a porch while Bubba worked his magic at the charcoal grill.

Bubba has a special shrimp recipe fit for a king, or a Kremlin kingpin as the case may be. I would not go so far as to call it truly revolutionary, but this dish is definitely a party favorite.

Melt a half pound (225 grams) of butter and add the juice of three lemons. Season with garlic or garlic powder, cayenne pepper, and herbs and spices to suit your taste.

Let the shrimp marinate for an hour or two on low heat. Stir occasionally. Then pop them onto a charcoal grill (hickory smoke preferred) for 15 minutes.

Set aside ideologies and serve in the lemon-butter sauce. Figure about one pound of shrimp per comrade. A nice change from borscht.

That's Cousin Bubba's recipe for international goodwill. I don't think the White House chef could have done better. As for the treaty negotiations, this is not to suggest Bubba could have struck a better deal than Mr. Reagan.

However, he might be interested in putting in a bid on some of those missile launchers that are being retired. Equip them with oversized tires and a gun rack, and there could be a market for them along Timberland Drive.

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LETTERS TO THE EDITOR

Will the West Be Safer?

I heartily agree with Edward N. Luttwak's lucid analysis of the drift to denuclearization (Nov. 30 and Dec. 1).

By scrapping intermediate nuclear forces and negotiating on further reductions, both Mikhail Gorbachev and Ronald Reagan have shown their antipathy to the agonizing choice that they could face: either to resort to the use of nuclear weapons or surrender. Other alternatives are needed, and this is the great task of the post-nuclear era.

I share also the concern that the Soviets may be better prepared than the West to face the new era. Indeed, an official and outspoken admission of the declining role of nuclear weapons came from the East as early as May 1984. The former Soviet chief of staff, Marshal Nikolai Ogarkov, in an interview in Red Star before his demotion, stated that "further nuclear buildup is becoming senseless."

PIETRO POZZI
Masny-St. Jean, Belgium

I am more than a little bewildered about all the enthusiasm for the treaty on intermediate-range nuclear forces. The West, and in particular the European defense forces and their strong U.S. component, are about to abandon a deterrent that for years has helped to discourage a Soviet attack with conventional arms; such an attack would rely on the Red Army's superiority of more than 2-40-1 in main battle tanks, 3-40-1 in artillery and mortar, 5-40-1 in surface-to-air missiles,

3-40-1 in military manpower and 9-40-1 in tactical nuclear missiles, with an overwhelming superiority in chemical arms.

To give as a reason d'être for the proposed treaty — still subject, thank God, to Senate ratification — that the Russians have agreed to give up four times as much as the West is ridiculous. No sensible person believes that NATO intends to attack the Soviet Union. All the West has ever sought to do is to have enough nuclear capacity to prevent a war from taking place.

SIR FREDERIC BENNETT,
London

Regarding "The INF Treaty Doesn't Make the World Much Safer" (Dec. 8).

A more classic example of a writer long on geopolitics and short on sense would be hard to find. Jonathan Schell concludes that there is a point (in the reduction of nuclear stockpiles) at which societies might start to be safe from immediate nuclear destruction.

But if Chernobyl created extensive agricultural losses in Europe and strained the Soviet hospital system, surely a half dozen nuclear bombs dropped on the Soviet Union would wreck its health system, and that of Europe as well, while destroying European agriculture for years. This might take a few weeks, which is not quite "immediate," but it is close enough to destruction to persuade anyone.

RUTH ROMANOVSKY,
Châtillon-en-Michaille, France

The Way to Break Barriers

The fastest way (although it may take a generation to show results) to impart understanding and respect for different cultures, it seems to me, is to have young people from developed countries spend time in developing countries, learning about their people, language, culture, history and traditions.

Imagine the cultural barriers that would be broken if something like the U.S. Peace Corps with a mandate to serve countries in Asia, Africa and Latin America, were put into operation jointly by OECD nations and the European Community, and if such a program had a chance to work for a decade or so.

The effect would be everlasting, multiplied by the generations that followed, bringing in its wake international cooperation and understanding on a scale hitherto unseen.

SAAD ASHRAF,
Brussels

Nothing to Laugh About

Regarding "Are Japanese Comic Books a Sign of National Doom?" (Meanwhile, Dec. 1) by Tamotsu Sengoku:

What Mr. Sengoku decries as the selfish and irresponsible behavior of today's youth is in many cases a last desperate attempt by young people trapped in an increasingly conformist society to find some small space in which they do not have to fear the consequences of not wanting to be just like everyone else.

Attitudes such as he expresses fuel the attempts of the Japanese government to replace the democratically inspired courses in social studies introduced after the war with morals instruction designed to teach them the "proper forms of thought and behavior." It is certainly no laughing matter.

STEVEN PLATZER,
Tokyo

In explaining the popularity of comic books in Japan, and in contrasting the reading habits of Japanese and American high school students, Mr. Sengoku need not have reached so far for answers.

A distinctive feature of Japanese comic books is that they are rife with extraordinarily graphic sexual depictions. Needless to say, if American comic books were so explicit, they would be far more popular among U.S. students.

ROBERT B. HEINER,
Heidelberg, West Germany

What Other Reviewers Said

Regarding the review of Fred Bridgland's "Jonas Savimbi: A Key to Africa" (Oct. 13) by John Keegan:

Mr. Keegan's clumsy attack on Fred Bridgland's book hardly does justice to your newspaper's credibility in African affairs. Because of my interest in Angola and in Mr. Bridgland's book — I negotiated the film rights for "Jonas Savimbi: A Key to Africa" — I have followed some of the reviews that have come out: David Birmingham of the University

of Kent, in a review for the Royal Institute of International Affairs, noted that Mr. Bridgland began his book with a quotation from George Orwell's "Homage to Catalonia." Mr. Birmingham says Orwell would have been proud of his disciple, and describes the book as a "meticulous documentation of events, and a richly illuminating personal portrayal."

Colin Legum wrote that "Bridgland has performed a dauntingly difficult task with skill and honesty."

The Paris daily Le Monde recently quoted Mr. Savimbi's accusation that France was treating Angola as nothing more than a giant oil field to be callously exploited. Mr. Bridgland's plea that ways must be found for a dialogue to take place between the Angola government and the UNITA rebels, and for a cease-fire to allow talks on a government of reconciliation, deserves the respect that Mr. Keegan is obviously incapable of according.

MARCEL PRUWER,
Kinshasa, Zaire

Don't Knock the Nice

The quote attributed to President Reagan about his wife (American Topics, Dec. 7), that "knowing her and being married to her is kind of like coming into a warm, fire-lit room," makes me wonder all the more why your newspaper, its columnists and cartoonists continue to pour vitriol on him. Allergic to nice people?

PHILIP E. NEWMAN,
Paris

GENERAL NEWS

Pretoria Limits Opponent's Actions

By William Claiborne
Washington Post Service

JOHANNESBURG — The South African government placed severe restrictions Friday on the movement and speech of the recently freed chairman of the African National Congress, Govan Mbeki.

The government declared that Mr. Mbeki could not leave his hometown of Port Elizabeth, give interviews or write for publication.

The order dashed hopes of many anti-apartheid campaigners that Nelson Mandela and other black nationalist prisoners would be released soon, paving the way for power-sharing negotiations.

The government said that Mr. Mbeki, 77, still was committed to communism and the overthrow of white minority rule, and that the restrictions were necessary to prevent a "promotion of the revolutionary climate."

Mr. Mbeki had insisted that his release Nov. 5 after serving 23 years of a life sentence for sabotage and treason was accompanied by promises that no conditions would be imposed.

The freeing of longtime prisoners such as Mr. Mandela and Walter Sisulu, both of whom were sentenced with Mr. Mbeki in 1964, had been held out by black nationalists as the only way moderate black leaders could participate in power-sharing negotiations.

Also Friday, the government said it would take action against the U.S. television network CBS for a documentary on apartheid that it said contained "blatant distortion, exaggeration of the negative aspects" of South Africa "and misrepresentation of the facts."

The minister of home affairs, Stoffel Botha, hinted broadly that CBS representatives would be expelled. The government said the documentary's principal narrator, Walter Cronkite, topped some interviews in South Africa last year after having entered the country on a tourist visa and "misrepresented" the purpose of his visit.

The documentary traced the effects of the South African system of racial separation on black and white children, focusing on a juxtaposition of views presented in interviews with Rozanne Botha, daughter of President Pieter W. Botha, and Zindi Mandela, daughter of Mr. Mandela.

The national police commissioner, General Hennie de Witt, said the restrictions on Mr. Mbeki were necessary to "prevent promotion of the revolutionary climate and inter-



Govan Mbeki shortly after his release last month.

ference with prospects of ending the emergency situation.

Liberal opposition leaders and anti-apartheid campaigners condemned the move, warning that it would lead to renewed violence.

Archbishop Desmond M. Tutu said Mr. Mbeki's release had been the most hopeful sign yet that the situation in South Africa could be resolved peacefully.

The Anglican archbishop said that, by restricting Mr. Mbeki, Pretoria was, in effect, "choosing a path of violent confrontation."

Colin Eglin, leader of the opposition Progressive Federal Party in Parliament, said the restrictions on Mr. Mbeki "will not only undo all the good that has been achieved by the government's decision to release him after 23 years in jail, but it will undoubtedly add to the tensions and frustrations in the wider South African community."

Mr. Mbeki's attorney, Priscilla Jans, said she was preparing an appeal of the order. She said Mr. Mbeki was "greatly disappointed and distressed" because he had been told upon his release that his movements would not be restricted. Mr. Mbeki could not be reached for comment.

Some activists said they thought the restrictions on Mr. Mbeki were the result of a backlash in the far-right Conservative Party, which posed a major challenge to President Botha's National Party in the whites-only parliamentary elections in May.

Ms. Jans, however, said she thought the government had mis-

calculated Mr. Mbeki's stature as a black leader and had been "obviously embarrassed" that it could not continue to maintain that leaders of the African National Congress did not have popular support among blacks.

Black Police Mutiny

About 60 black policemen mutinied Thursday and fought a gun battle with riot policemen who were called to put down the uprising, the Los Angeles Times reported from Johannesburg.

Seven constables from the Seboka municipal police force in 'Leobakeng, about 35 miles (55 kilometers) south of Johannesburg, were wounded in the fighting and 19 were arrested on charges of mutiny and attempted murder, police officials in Pretoria said.

The mutiny apparently stemmed from long-standing grievances that the local policemen had about their commander and working conditions, but police spokesmen said in Pretoria that they were uncertain what led to the full-scale riot.

The local commander had just ordered a vehicle inspection when the officers rebelled, got into their cars and trucks and tried to run him down, a police statement said.

When riot policemen arrived, the constables broke out of the local police compound, opening fire with pistols and shotguns, the statement said. The policemen fired back, using backshot and tear-gas grenades, and eventually dispersed the local police.

A Centennial Message from the International Herald Tribune



NOTES ON A CENTURY

Celebrating the Centennial in Asia

By Richard Morgan

For the third time in 20 months — and for the seventh time in seven years — the IHT has opened a new printing site. On Friday, Nov. 20, in the closing weeks of its centennial year, the paper inaugurated its tenth worldwide edition in Tokyo.

The Japan print site is the third for the IHT in the Pacific area, following Hong Kong in 1980 and Singapore in 1982. For the seven Paris-based IHT executives who attended the official lunch party at Tokyo's enormous Imperial Hotel, it was the culminating event not only of a busy two-week Asian tour but of an entire year of centennial activities.

The Asian centennial observances started 11 days before at the Singapore residence of U.S. Ambassador Darryl Arnold, who hosted a dinner for IHT visitors and local dignitaries as a prelude to the IHT's second centennial conference, which opened the next day at the city's modernist new Raffles Center. As with the first centennial conference in April, the meeting focused on the future. Under the theme "Pacific 2000," some 40 speakers and seminar leaders from more than a dozen countries examined political and economic trends affecting the Pacific basin.

Nearly 300 delegates, mostly drawn from the 12 companies serving as IHT centennial sponsors, were treated to three days of intensive and provocative discussion, from the sweeping opening overview of Singapore Prime Minister Lee Kuan Yew to the thought-provoking wrap-up analysis of former U.S. Ambassador



In keeping with a traditional Japanese ceremony, a keg of sake is broached to ensure good fortune for the IHT's new Tokyo edition. From left to right: Ken Ishii, president of Tribune Japan Mainichi, Inc., IHT publisher Lee Huebner and Noboru Watanabe, editor-in-chief of Mainichi Newspapers.

to the OECD Edward Streator. A lighter interlude was provided by New York Times and IHT columnist William Safire, the luncheon speaker on the conference's second day, who provided a sparkling analysis of the U.S. political scene. And to add a celebratory touch, the IHT gave a centennial cocktail party for delegates, speakers and Singapore friends, with special entertainment in the form of a traditional Chinese lion dance to the accompaniment of what was surely the loudest drum ensemble south of Kuala Lumpur.

From Singapore, the scene shifted to Hong Kong, home for the IHT's Asia office, headed by Malcolm Glenn, U.S. Consul General Donald Anderson and his wife welcomed Herald Tribune visitors, together with local journalists and business leaders, for dinner at their residence on The Peak, with a breathtaking view of Hong Kong. Admiring this spec-

tacular scene after dinner, one of the visitors inquired of the famous Hong Kong entrepreneur Sir Run Run Shaw, "... and what do you do, sir?", only to receive the expansive — and largely accurate — reply, "I run all this." (The response immediately qualified Sir Run Run for the IHT pun of the Centenary award.)

The Tibb's own centennial reception was held on Nov. 17 at the famed Hong Kong Club. Several hundred guests joined in a series of appropriate toasts, and an enormous birthday cake was again ceremoniously cut — and expeditiously devoured.

The next morning, the IHT delegation flew to Tokyo and a busy schedule of launch-related meetings, interviews and social gatherings. Prime Minister Takeshita and Foreign Minister Uno each received the IHT's publisher, Lee Huebner, and executive editor, John Vinocur. American Ambassador

Mike Mansfield hosted a luncheon party at the historic embassy residence. And in Tokyo, as in Hong Kong, the local American Chamber of Commerce invited the Tibb's publisher to address their members.

The Tokyo edition of the IHT is distributed through a joint venture company involving the International Herald Tribune and Mainichi Newspapers, one of the great Japanese publishing groups (the Mainichi Shimshun's circulation is 3.5 million). The IHT is transmitted to Tokyo by space satellite from Paris, at a speed of about three minutes per page. Page images are received in the early morning hours and printed about 8:00 A.M. Tokyo time at the well-equipped Seisan Keizai printing plant. The paper is distributed in central Tokyo before noon and in other areas during the afternoon hours. Previously the IHT was flown in daily from

Hong Kong, arriving too late to permit distribution on the day of publication. The very first copy of the new Japan edition was duly welcomed off the press on the morning of Nov. 20 with a toast in champagne labeled "Cuvée du Centenaire," a vintage prepared especially for the newspaper's year-long celebration. The traditional Japanese Daruma Doll was also present, and participants colored in one of its two blank eyes for good luck, looking forward to a return visit when the second eye can be drawn in, marking the achievement of the project's initial goals.

That evening, some 500 political and business leaders joined with other friends of the paper at a party which formally celebrated both the opening of the new site and the Tibb's 100th anniversary. The traditional keg of sake was broached and a good deal of sushi, sashimi and tempura was consumed, as IHT personnel greeted old and new friends in this, the paper's newest home city.

The Paris Herald's founder, James Gordon Bennett Jr., was a man passionately dedicated to progress who pioneered many of the technical innovations that made the modern newspaper possible. He would certainly be delighted to know that the tradition continues and that, one hundred years after its founding, his Paris newspaper is being read on the other side of the globe several hours before the day has even begun for its European readers.

This is the 41st in a series of messages about the IHT which is appearing throughout the Centennial year.

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The first 15 minutes were deadly. Simon de Pury, Sotheby's director for Europe, was conducting the sale. His manner, elegant but restrained, added one more touch to the funeral atmosphere...

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Head of an Egyptian ivory figure, 1567 B.C.



Ostrogothic gold and garnet brooch, fifth century.

and in came "the Domagnano Treasure" of Ostrogothic jewelry. Whatever the truth may be concerning the treasure, the Comtesse de Béthune brooch is beyond doubt one of a pair...

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A collective hysteria seemed to have seized the room, affecting the outcome of almost every piece that afternoon — even a fragment from an Attic vessel with painted figures done around 470 B.C., which went up to 288,600 francs...

The ecstatic smile on the face of Felicity Nicholson, director of Sotheby's Antiquities department in London, said volumes about the apprehensions that she and her colleagues had experienced.

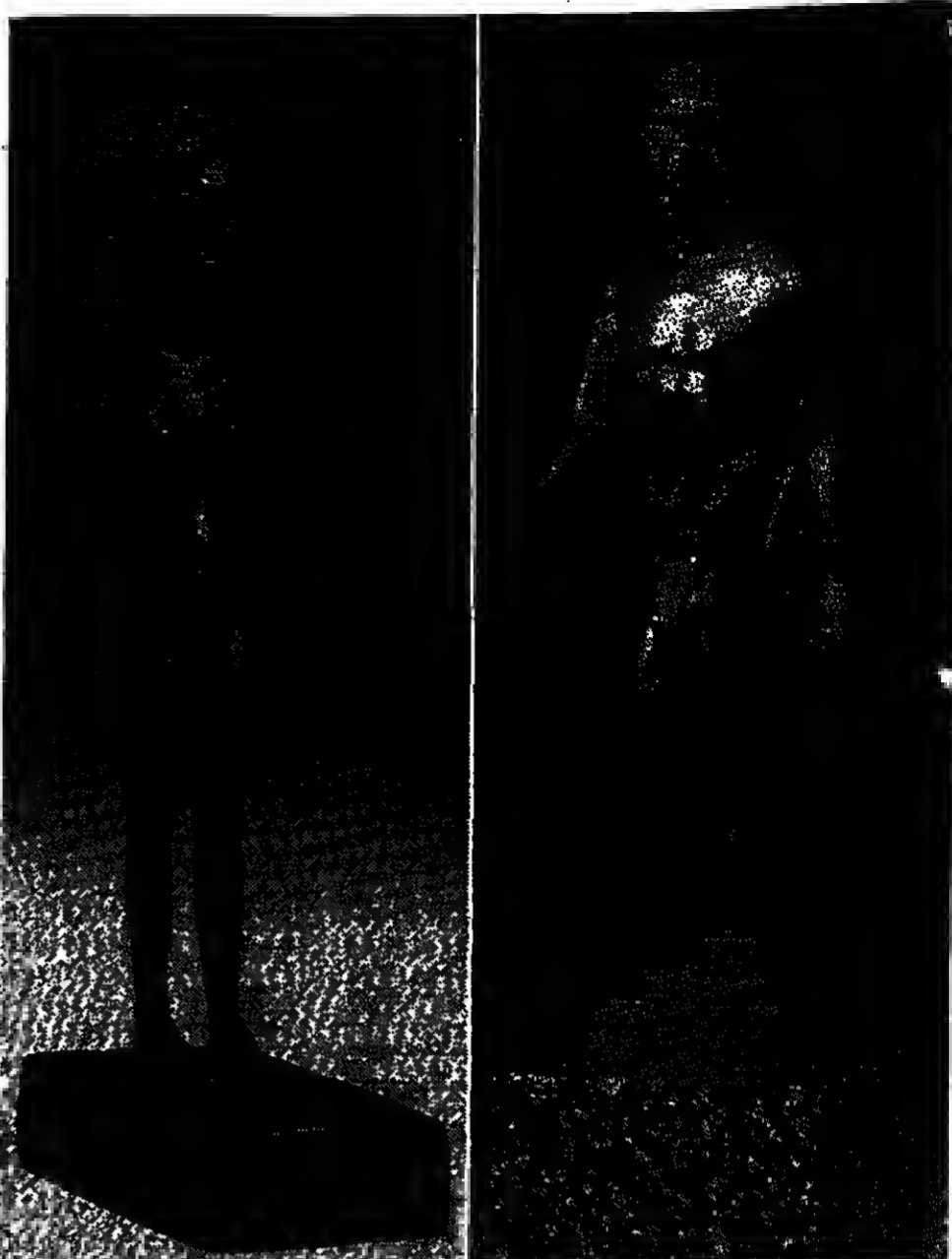
The sale of medieval objects from the Béthune collection in the evening session followed a very different pattern, many prices being as low as the low estimate, and some lower still.

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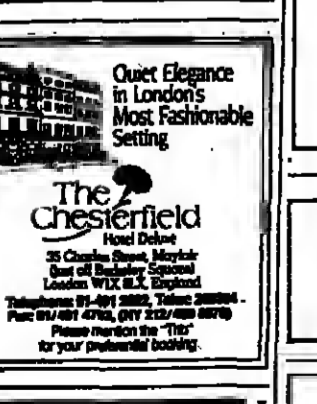
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Egyptian wood figure of a young woman circa 1350 B.C. from Kom Medinet Ghurab (left); Greek bronze figure of Apollo, from Lousoi, fifth century B.C.

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The Economy: A Year of Careful Planning Pays Off

THE Saudi government is due to announce its 1988 budget within the next few days. The new financial year starts on December 23.

The rumors in Jeddah and Riyadh are that the budget will not be much different from last year's surprisingly high figure of \$45 billion. That should not be so remarkable. Despite the kingdom's tighter economic circumstances, with talk of "increased efficiency," "rationalization of manpower" and "cuts in unnecessary expenditure" making regular appearances in the local press, 1987 has been a far easier year financially for the Saudis than 1986.

That is because the price of oil has remained stable at \$18 a barrel (which means that Saudi gets \$17.52 a barrel), compared to the wild fluctuations of 1986 when at one point it reached a low of \$8. Stability of prices, and with it revenue, is crucial to Saudi planning. Despite a healthy growth of petrochemical sales, oil revenue will continue to account for the largest single input to the budget for some time to come, probably around the 35 percent mark.

That oil prices have remained stable is largely due to Saudi Arabia's own effort. Although the Organization of Petroleum Exporting Countries (OPEC) agreed last December to force the price back up to the \$18 benchmark and set a production limit of 15.8 million barrels a day, it soon became clear that certain members were not abiding by the rules. There was discounting and overproduction. It was thanks mainly to Saudi Arabia slashing production during the spring from its quota of 4.133 million barrels a day to around 3 million barrels that the glut was cut and the price stabilized.

But although stability in revenue is the government's key objective, the fact remains that the Saudi economy is still highly susceptible to the vagaries of the international market. It is not just because of the importance of oil exports; foreign investments, the linkage of the rial to the dollar and the country's continued massive reliance on foreign imports have placed Saudi Arabia in an unenviable position economically.

The continued rise in the yen and the Deutsche mark (the currencies of two of the kingdom's main sources of imports), the slide in the dollar — and with it not just the pegged rial but also, more important, the value of a barrel of oil — and the recent stock market crash ought to have done little for the Saudi government's sense of economic confidence.

Investment Revenue

Equally, investment revenue is no less crucial to budgetary planning than oil revenue. Last year it accounted for 18 percent of budget revenue. It is still too early to say how much Saudi investment income will be affected by the stock market crash. But like everyone else, the Saudis cannot expect to be immune.

Yet ask a Saudi how the economy is doing and he will invariably answer, "Not bad" or (in this case with justification) "It's a lot better than last year." The view that the recession has bottomed out and that things are getting better is one that is widely held. Partly it is due to the flow of statistics backing up what is fairly evident to everyone in the kingdom, notably that the living standards of the average Saudi, of which there are now 12 million, is getting better all the time. According to the latest government

survey published just 10 weeks ago, Saudi living standards are now on a par with those of developed countries.

Nonetheless, the degree of equanimity with which most Saudis seem to regard the stock market crash and the decline of the dollar/rial/barrel of oil understandably puzzles most observers.

The situation ought to be worrisome. That it is not is due to deft economic footwork together with a dose of lateral thinking. In the view of some Saudi economists, a drop in the value of the rial, though admittedly causing a rise in the import cost, is no bad thing; it should make Saudi petrochemical exports cheaper, particularly in Europe, and act as a stimulus to Saudi industry as well as provide an effective and protective barrier for existing Saudi products such as cement, which local producers claim is being adversely affected by dumping by Japanese and Spanish producers.

New Trading Partners

In fact, there has not been all that much of a problem on imports either. The Saudi response to the movements in currency values has been to switch trading partners. It is not the Saudis who are suffering so much as the Japanese and the West Germans, whose sales to the kingdom have taken a tumble. After the United States, which has long been the number one exporter to Saudi Arabia, Japan used to be second, followed by West Germany. By the end of last year the West Germans had been overtaken by the British, who are experiencing something of a relative boom in the Saudi market.

Last year Britain was the only major industrial exporting nation to register a major increased presence in the Saudi market. While everyone else's sales dropped an average 25 percent (the Japanese went down 50 percent), British imports to the kingdom registered a 20 percent rise. Nor has it shown any signs of slowing up. The British balance of trade surplus with Saudi, the largest of any country with the kingdom, continues to grow. At the end of September, it was already almost \$500 million higher than the 1986 total of \$1.6 billion.

The British are now breathing heavily down the Japanese's necks; when this year's trade figures come out, there is every possibility that the British will have even edged them aside. The deals continue to flow in. On November 20, British Telecom won a \$42 million contract to install a new telex network for the kingdom. Two or three years ago, that sort of contract would have been expected to go to the West Germans or the Japanese. On the other hand, Japan is not a total loser. Sales may have gone down but so too has the cost of buying Saudi oil, of which Japan is the largest customer, taking almost 25 percent.

The reason for the high level of British sales is twofold. First, Britain does not suffer from the unfortunate effects of a strong currency. Secondly, there is the Tornado fighter plane deal, estimated at anything from \$7.5 billion upwards. Much of the 1986 and 1987 growth in British sales to Saudi Arabia related to the deal. Britain's Department of Trade reckons that, without that deal, exports to the kingdom would be about 2 percent down. Compared to Japan (50 percent down on share), West Germany (25 percent down) or even the United States (23 percent down), England does not have too much to worry about. As far as U.S. exports to the kingdom are concerned, the



Petrokem's new butene-1 plant began operations this fall in Al-Jubail.

joint slide in the dollar and rial ought to act as a stimulus. However, given the tighter economic climate, the Saudis are in no mood to start splashing out buying American just because everyone's marketplace has become much more expensive. The parallel drop in real terms in the value of a barrel of oil, and therefore in Saudi Arabia's purchasing capacity, will certainly ensure that the Saudis continue to be ultra-cautious when it comes to spending.

No Cuts in Development Program

Nonetheless, King Fahd and his government have made it clear that there will be no cutting in Saudi Arabia's development program, particularly its industrial program. Given that determination, especially in the area of high-tech industries, U.S. groups such as the aviation equipment team that visited Saudi Arabia in November can expect to get a good hearing. In the meantime, however, eyes are still firmly fixed on the two offset deals, with Boeing and with the U.K. government, and what benefits they will bring.

The idea was an ingenious means of persuading successful bidders on major government contracts to reinvest a portion of the value of the deal back in joint ventures in Saudi Arabia, with Saudi investors putting up an equivalent amount. The figure set in both the Peace Shield airborne warning system awarded to a Boeing-led consortium and the Tomado contract deal was 35 percent of the technical content. The result is that some \$2.4 billion is due to be invested in new ventures within the Kingdom.

It is a mammoth sum. Unfortunately though, progress toward implementation has been at a mammoth's pace — at least in the case of the Boeing offset projects. Almost four years after the awarding of the original contract there is still no sign of an offset venture (11 were originally earmarked) in action. That is not necessarily Boeing's fault: setting up high-tech industries in a country still in the early stages of development is no easy task and neither they nor the Saudis want to make expensive mistakes.

And to be fair, it is quite probable that one, if not two, of the proposed offset ventures will get the final go-ahead within the next few weeks, those being the \$35 million Accessories & Components Company and the \$230 million Advanced Electronics Center. Both will be based at Riyadh's King Khaled International Airport.

The British may not be all that far behind in making an

announcement of their own. They have learned from Boeing's problems. Moreover, unlike Boeing, they are not restricted to high-tech ventures. The sole criterion is whether the venture chosen benefits Saudi Arabia; so it could be to do with training, technology transfer, expansion of an existing project or even an agricultural project. To make it even easier, investment can be retrospective; it is quite possible, for example, that British Telecom's telex contract could be drawn into the project. However, the most immediate priority as far as the Saudi government is concerned is the price of oil.

Toward Stabilizing the Oil Quota

The government is walking a tightrope on the oil issue, trying to balance price stability with volume stability. It would like both. However, it started dropping loud hints long before the annual OPEC conference that it was not prepared to carry on paying to keep the market stable on its own any more. There was considerable concern in Riyadh that, having forced order back into the market this spring by cutting its own production by over a quarter, some OPEC members continued discounting and overproducing, thereby enabling buyers to replenish stocks and so regain the advantage. The conclusion was that they should not again allow production to drop to keep demand strong as happened in spring. Stability of quotas would henceforth be the objective.

As to whether the price of a barrel of oil should remain quoted in dollars, or as some in OPEC suggested more than once, be quoted in a basket of currencies, there is a mixed attitude in Saudi Arabia. Certainly it would be in Saudi Arabia's interest to move away from a dollar pricing. As a rule of thumb, it is estimated that for every percentage point the dollar falls, Saudi oil revenue drops half a percentage point. But the problem with a mixed basket of currencies is that it would be extremely complicated.

There are others in OPEC who suggest a much more logical, and potentially lucrative, quotation — in yen. However, it is doubtful whether it could be made to work, even though in Saudi Arabia's case, much of the oil goes to Japan. For the rest of the world, it would mean increasing prices, which some producer would be bound to discount. The consequence would probably be a price war.

— Michael Dalmoak

FOR HI-QUALITY WIRES, CABLES AND ALLIED PRODUCTS IN SAUDI ARABIA ONE SYMBOL IS OUTSTANDING.

Saudi Cable Company is well known for its pioneering role in the field of electric cables and wire production in the Middle East. Since its inception in 1976 it has played a vital role in the economic and industrial development of the Kingdom of Saudi Arabia. During the last 10 years the Company has recorded a steady growth in many areas.

Sales capacity reached upto 1.3 billion Saudi Riyals per annum. Fixed assets grew from SR.50 million to SR.400 million. Its production output which has risen from 25,000 mt to 45,000 mt., stems from our various factories. Four in the Kingdom of Saudi Arabia, three in Turkey, and 1 in Bahrain. Our copper rod mill in the Middle East with a capacity of 62,000 mt., assures pure copper rod for its cable plant.

Other units, like the PVC compounding plant and the wooden reel plant, help successful backward integration of raw materials in manufacturing cables.

Now, after a decade of successful service, the Company is poised to branch out into telecommunications cables and accessories, electronics, high voltage cables and fibre optics.

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Adapting to Economic Change

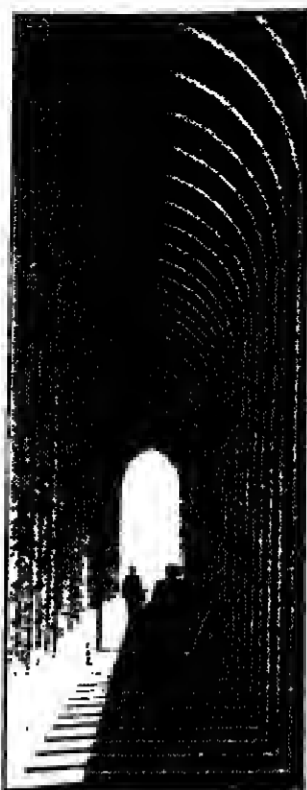
PETROMIN, the General Organization for Petroleum and Minerals, may change when Saudi Arabia's oil industry is reorganized, but the company will still be recognizable.

Industry sources say that Petromin and the Arabian American Oil Company (ARAMCO) will still retain their general roles even after a reorganization is completed. At present, Petromin is generally charged with domestic refining and sales, plus state-to-state liquefied petroleum gas (LPG) and crude sales. Aramco has handled production and other sales.

Petromin's wide range of activities reflects its history of introducing industrialization and technological advance. The kingdom's first industry to use associated natural gas as feedstock was at first part of Petromin. This was the Saudi Arabian Fertilizer Company (SAFCO), which produces urea fertilizer and melamine plastic. It has since been transferred to the Saudi Basic Industries Corp. (SABIC).

Importing Refined Products

Other than SAFCO, and the more recent gold and other mineral extraction projects, Petromin's activi-



University of Petroleum and Minerals in Dhahran.

ties have been linked with oil.

Petromin took up the challenge of the paradox whereby Saudi Arabia at one time had to import refined products even though it was the world's largest exporter of crude oil.

Petromin built a series of refineries to supply gasoline, asphalt, kerosene, and other refined products and has often established part-

nerships with foreign firms to achieve its goals. Its two export refineries were built as joint ventures. Shell and Petromin built the Jubail export refinery. Mobil and Petromin built a joint venture refinery in Yanbu.

A third export refinery, being built as a joint venture with Petrola, of Greece, is being erected in Rabigh. In addition to the export refineries, Petromin operates domestic refineries in Yanbu, Jeddah, and Riyadh. Aramco operates a refinery at Ras Tanura.

In 1986, Petromin reported that the domestic Jeddah Oil Refinery produced 31,941,608 barrels, a drop of 5.9 percent from 33,931,608 bbls, in 1985. The refinery capacity is 96,000 barrels per day (bpd).

The 160,000-bpd Petromin Refinery in Riyadh produced 40,550,501 barrels a year, a 2.3 percent drop from the previous year.

Riyadh refinery produced 1,453,348 barrels a year of liquid petroleum gas, 4,308,571 barrels of regular gasoline and 9,566,975 barrels of premium gasoline. Aviation fuel production was 3,978,166, diesel production was 16,216,474 barrels, while asphalt production was 5,026,967 barrels.

The 170,000-bpd Petromin Yanbu Domestic Refinery, the newest Petromin domestic refinery, produced 63,863,803 barrels.

Joint Ventures

Petromin's 50-50 joint venture Shell refinery in Jubail began production in 1985.

The 250,000-bpd Petromin-Mobil 50-50 joint venture refinery in Yanbu produced 72,349,494 barrels in 1986, up from 64,920,000 barrels in 1985.

Petromin also expects its 325,000 Petrola-Petromin refinery in Rabigh to be on-line in 1988, and has sought a foreign partner in the lubricants business. Mobil, of the United States, joined Petromin in building and operating Lubref I, which has a capacity of 1.6 million barrels a year. Its owner is Petromin Lubricating Oil Refining Co., a 70/30 joint venture.

This follows Petromin's practice of establishing separate divisions to handle new businesses.

Lubref I has proven immensely successful. It has actually exported lubricants abroad, and produces base oils used by the Kingdom's blending plants to produce finished lubricants.

Additional base oil plants were planned to produce greater amounts of lubricating base oils for ex-

ports, but declining oil prices and budgetary considerations forced modifications of these plans. Petromin planned to build a 1.75 million barrels a year joint venture plant with Ashland Oil in Yanbu, and a mammoth 4.2 million barrels a year plant with Caltex in Jubail.

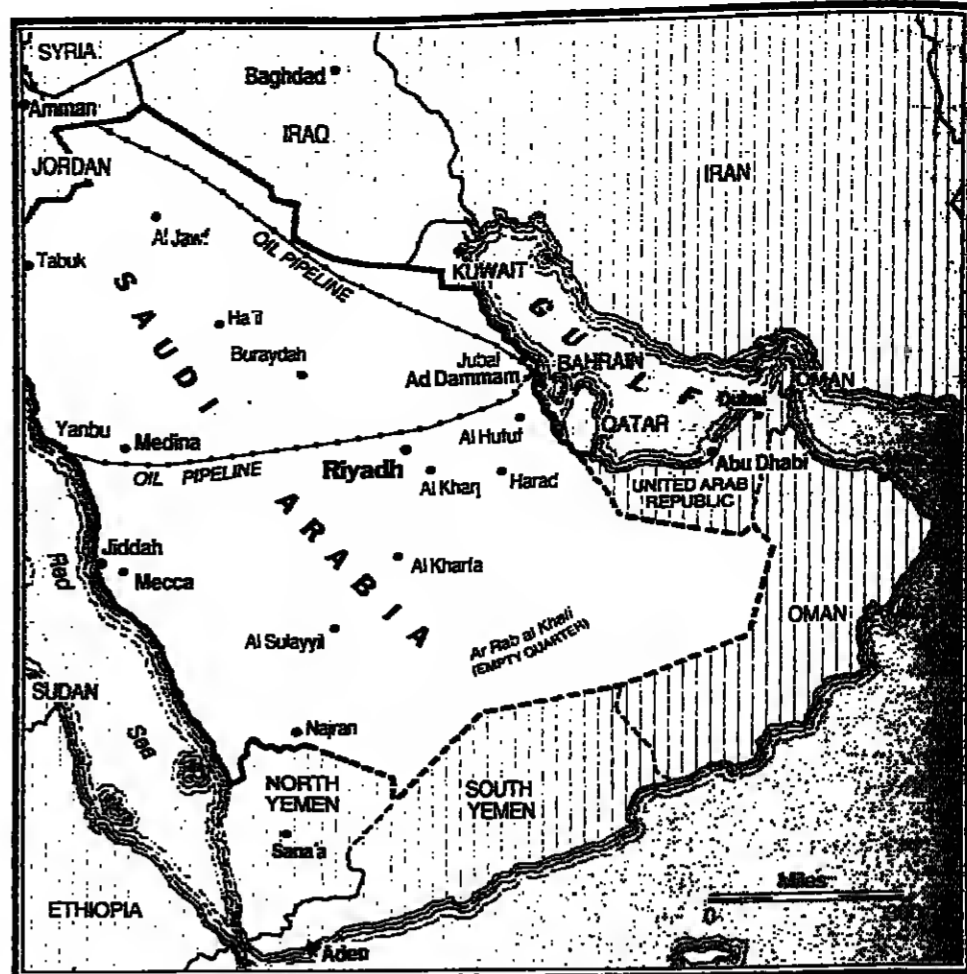
With the passage of time, Ashland dropped out of the Yanbu plant, and Petromin turned to its old partner, Mobil, to build Lubref II. The wildly optimistic Jubail Caltex-Petromin project was dropped in favor of a base oil unit that would be added to the Petromin-Shell export refinery in Jubail. This refinery would have a capacity of up to 1.5 million barrels a year.

Lubref II

The long-delayed Lubref II lubricant refinery appears to be coming back to life, say Saudi oil and banking sources.

The refinery, originally approved in March 1985, is designed to produce 1.5 million barrels a year of lubricating base stock. Within months of awarding contracts, the fall in oil prices led Petromin to delay the project.

Lubref supplies both Petromin and privately held blending plants in the kingdom. Two large blending plants are operated by Petrolube, a 71/29 joint



venture between Petromin and Mobil. These plants produce Mobil and Petromin-brand lubricants as well as other brands. Shell now produces finished lubricants from two privately owned Saudi-Shell joint venture blending plants.

In addition, Petromin has built a wholly owned blending and grease-production plant in Jubail, called the Al-Jubail Lubricating Oil and Grease Manufacturing Plant (Saudi Lube); another Petrolube plant, Petrolube-3, will be built in Yanbu.

Non-Oil Activities

Petromin lubricants hold the dominant spot in Saudi Arabia, although Shell and Mobil are close followers. Further, Petromin lubes have won a place in regional markets. Last year, 20,000 barrels of Petromin lubricants were exported mainly to the Gulf,

but also to Yemen, Sudan, Lebanon, Guatemala and Belgium.

Petromin's activities are not limited to oil. The company supplies gasoline, jet fuel and other refined products throughout the Kingdom. Recently, the company was helped by a boost of gasoline prices. But even after the rise, premium gasoline costs only 14.4 US cents a liter. The Ministry of Petroleum explained that a higher price would reduce wasteful use of gasoline and help the profitability of Petromin. In any event, the kingdom has agreed to slowly bring gasoline and other product prices in line with those of the other Gulf countries. Saudi gasoline prices have long been the lowest.

Petromin has also developed a foreign presence. It is one of the world's foremost sources for LPG. One

of its biggest customers is Japan. In 1986, Japan imported more LPG from Petromin in Saudi Arabia than from any other source. Total imports were 5.9 million tons, compared to the second-largest supplier, Abu Dhabi, which supplied 2.2 million tons.

Petromin is not confined to hydrocarbons. It has taken bids on opening up a second gold mine. The first, Mahd Ad-Dahab, is believed to be the site of the legendary mines of King Solomon. Today, gold is being commercially extracted from the mine.

The kingdom is believed to have commercial amounts of phosphates, iron, and other minerals. Petromin has even discovered some coal deposits, which could bring Petromin an entirely new line in the hydrocarbon business.

— Doug Graham

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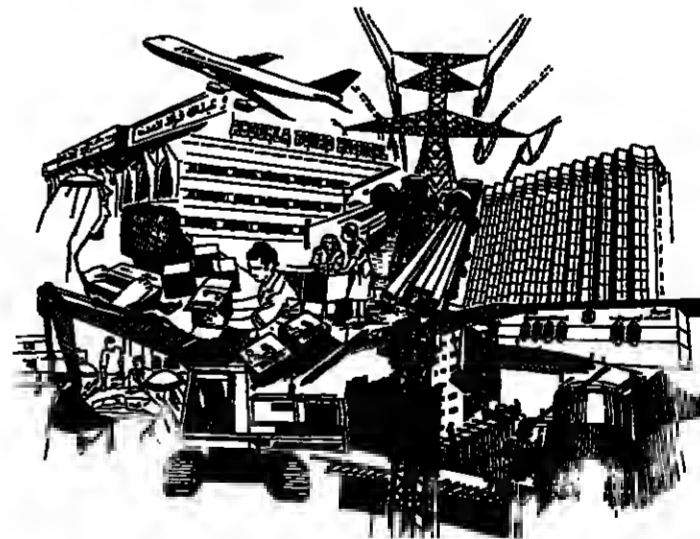
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LUBE

A New Perspective on the Private Sector.

There would seem to be something of a contradiction in the Saudi economy. There is probably no government on earth more committed to the role of the private sector — not even Margaret Thatcher's Britain nor Ronald Reagan's America. For its part, the Saudi private sector is probably the wealthiest and certainly the most fluid in the world.

Yet government spending accounts for almost 65 per cent of gross domestic product (GDP). That is more than most welfare states in the world. True, the private sector contribution to GDP would have been much larger — probably nearer 45 per cent — were it not for the decline in the construction sector, partly caused by the fact that much of the infrastructure has already been completed. The decline, however, had the unfortunate effect of inducing a decline in the transport and trade sectors. There was significant growth in the agricultural sector and in traded public utilities. Nonetheless, in a country that is ideologically committed to the private sector, the state remains the major operator.

Setting the Pace
Given the massive scale of Saudi development and the remarkably short time period involved — just 30 years — it was only natural that the government should take the lead, creating the infrastructure and laying the ground for large-scale capital-intensive industries such as the petrochemical ventures at Jubail and Yanbu. The private sector concentrated instead on commerce, agriculture and construction.

Not that it ignored industry. Far from it. By the end of the last financial

year, some 1,864 locally owned private industries with a capital of \$16 billion were licensed and running, producing goods such as concrete, glass reinforced plastics, piping, cable and wire. There are licenses for another 1,545 industries. A further 400 industries, primarily petrochemical, metal and foodstuffs, were established as joint ventures with foreign companies with a total capital investment of \$3 billion.

The government provided strong support, encouraging the private sector to assume its proper role in industry and pointing it in the right direction. Of the \$3 billion provided in interest-free loans to the private sector last year (the total so far is \$44 billion), a large proportion went to industrial ventures.

In addition, though, the private sector was quick to follow where the government led, snapping up equity in the public utilities and corporations like SABIC, the parent company for most of the kingdom's petrochemical projects, when they were floated on the market.

The Future
Nonetheless, the main thrust of private sector activity was not toward industry. Now, however, the race is on to alter that situation dramatically, when the government talks about "the private sector," it is effectively talking now about its role as a motor for industrial growth.

Government intention is that industry's contribution to GDP, currently 10 per cent, should rise to 15 per cent within the next four to five years, thereby generating about \$1,000 of manufacturing value per Saudi citizen (compared to current levels of \$660 in the

kingdom, \$550 in South Korea and \$2,000 in Spain).

The private sector's reaction has been very cautious. While looking for optimum investment opportunities, there is a problem. "Where do I invest?" is a question business entrepreneurs are constantly asking. "Where are the projects?"

Certainly, when floatations of existing ventures take place there is no lack of interest — as the recent share floatation of Saudi Cable Company shows; it was almost 40 percent oversubscribed. This has given rise to fears that the private sector, having been led by the hand by the government for so long, is reluctant to let go. "It seems to have developed a case for letting the government do the hard work, and then moving in afterwards," notes one Riyadh-based banker.

Private Initiative
That may be an unfair assessment. While there have been recent calls from the business community for further government priming of industry, there is also ample evidence of the private sector making efforts of its own to pinpoint and then create ventures in which to invest.

The Saudi Venture Capital Group, drawing together some of the largest Saudi private operators, the Saudi Advanced Industries Company and the National Industrialisation Company, are such examples. Since it started 27 months ago, the latter has, in addition to investing in some seven existing projects, investigated 70 potential projects; of these four are now being set up, and feasibility studies are almost complete on another five. Both NIC and SAIC are involved in three of the \$600 million Boeing

Officer Peace Shield projects.

Competition
There is, however, another reason for private sector caution: competition — and, more specifically, unfair competition. There is a growing consensus among the business community that if Saudi industry is to prosper and flourish, there will have to be either subsidies or protectionist measures, at least during its infancy. The authorities are none too keen on the idea. "It is not our policy," stated Industry and Electricity Minister Abdel Aziz Al Zamil earlier this year. "to foster inefficient industries producing poor-quality products behind a wall of protective tariffs." But certain industries believe they have good reason to complain. The kingdom's cement producers, already hit this year by a 20 per cent contraction in the construction industry, have had to slash prices from \$3.73 a bag to \$1.60 in coastal regions and \$1.87 inland to combat what they claim is dumping by producers from Spain, Greece and Japan. "This is war" was the recent reaction of the Saudi-Kuwait Cement Company chairman, Ahmad Al-Twejjeri. But, as Twejjeri pointed out, any further price cuts could put some producers out of business.

Allegations of dumping are also being made by the gypsum industry which likewise wants the government to introduce anti-dumping measures. Nor is the problem confined to the construction industry. Dairy farmers face a threat from imports of European Community-subsidized milk powder.

Yet despite these problems, there is every reason to believe that Saudi Arabia

is on the threshold of a major breakthrough as far as private investment in industry is concerned.

Making Progress
After a painfully slow start, the Boeing Officer program of capital-intensive high-tech industries looks as if it is finally about to take off. Four of the 11 originally designated projects are thought to be near the end of the feasibility stage and work may well start on them early next year. Progress on the even larger Tornado offer deal with the British has been

moving much faster. The first project, possibly a Rolls Royce aero engines repair center, may well be announced before the end of the year.

Altogether, the Tornado Offer deal will result in at least \$2 billion worth of projects being started in the kingdom, of which the Saudi private sector is expected to take a 50 percent equity stake.

International Markets
For its part, the recent crash on the international markets, together with the

decline of the dollar to which the riyal is pegged, may well act as a spur to Saudi investment back home. Several Saudi businessmen got their fingers burned in the crash. Omar Aggad, president of the Aggad Investment Company, is sure that it will prompt many Saudi investors to take "a closer look at investments in national industry." Certainly there is evidence of a halt in the flow of bank deposits from the kingdom, though whether this is a temporary effect or not is too early to say.

The decline in the dollar and with it the riyal should, however, have some clearly beneficial effects. First, it will make Saudi petrochemicals that much more competitive on the European markets; recently they had suffered because of cheaper feedstocks available to their European rivals. Second, it should solve the problem of dumping and undercutting within the kingdom. There will be no need for anti-dumping measures.

— Michael Dalmoak

Sharing the Risks and Rewards

The subject of Saudi banking has become a three-way debate among optimists, pragmatists and pessimists. While they generally cite the same issues and evidence, they draw strikingly different conclusions.

Oil revenues in themselves did not create the characteristics necessary for the strong development of a domestic economy — especially of a newly industrializing economy. Oil revenues gave the government the opportunity to invest.

But as the majority of that investment was in the social and physical infrastructure of the nation (admittedly an essential investment), the role of the banks and of the private sector was necessarily determined by that of the public sector as the overwhelming contributor to Saudi's GNP.

Key Sector
The construction sector has traditionally been the most significant economic indicator, and current forecasts from the authoritative International Review anticipate strengthening perfor-

mance, with the sector achieving levels of \$21.8 billion annually over the next three years and the public sector accounting for \$14.4 billion a year.

This is good news for the banks, most of whom reported significant downturns in profits for 1986. Several of the better-known joint-venture banks were particularly affected.

Shaukhar Aziz of Saudi American Bank puts this into context, pointing out that most institutions have sought to strengthen their balance sheets by increasing reserves. He also notes that, in terms of ratios, Saudi banks in general are among the most strongly capitalized in the world.

National Commercial, the kingdom's oldest and largest bank, reported a near 15 percent increase in assets in 1986, but a 19.8 percent decline in net profits, partially accounted for by provisions representing 3.4 percent of loans.

Riyadh Bank, the other long-established domestic institution, recovered from a drop in total assets be-

tween '84 and '85 to an increase of 7.5 percent between '85 and '86 but, at the same time, saw net profits fall 63.1 percent.

Consolidation

Some commentators suggest that these wholly domestic institutions may be in a stronger position during periods of consolidation. In the rich years, they did not have access to their joint venture competitors' international contact networks; but in the lean years, their domestic relationships and loyalties may well pay dividends. They have also taken steps to develop their own international networks. NCB, for example, already has representative offices in London (which may become a full branch), Frankfurt, Seoul, Singapore and Tokyo, with full branches in Bahrain and Beirut. Riyadh Bank not only has its city branch in London, but also opened a retail branch in Park Lane recently.

Major Markets

As market institutions, banks go where the business is. For over a decade, the overwhelming majority of asset acquisition by banks in the kingdom was either in supporting domestic economic development or international, where the only significant window was international sovereign debt — usually in the Third World.

The nature of the domestic market led the banks to concentrate on short term and, as they thought, very secure lending such as trade finance to cover the necessary imports or contractor finance to provide short term working capital for the private sec-

tor. We are quietly confident about the period of consolidation and reorganization. We are very technology-oriented and believe that our investment in this infrastructure stands us in good stead to accept the challenges of the future."

See Sharing, Page 14

What do 11 major and independent oil companies in Saudi Arabia have in common with

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ADVERTISING SECTION

Cables: An Industrial Pioneer Goes Public

SAUDI Cable Company (SCC) of Jeddah, an industrial pioneer in the kingdom, is breaking new ground in finance as it goes public with a stock offering throughout the Gulf.

The company, the Middle East's largest manufacturer of stranded cable, is undergoing deep structural changes as it converts from a limited partnership to a fully public company.

It is floating a SR134 million share offering that is being handled by the Consulting Center for Finance and Investment (CCFI) of Riyadh. SCC is selling 30 percent of its shares. The company is offering 725,000 shares to Saudi as well as Gulf Cooperation Council (GCC) investors. This will raise share capital of the company from SR200 million to SR250 million.

The offering was made because of Saudi Arabian law: Any firm that borrows more than SR100 million from the Saudi Industrial Development Fund must go public.

Saudi Cable Company is interesting to financiers, but its credentials are in



President of Saudi Cable Co., Omar H. Khaliladi.

industry. The company is one of the kingdom's first industrial firms.

Its core business is a cable factory with a licensed capacity of 26,000 tons per year of copper conductor and 19,000 tons per year of aluminum conductor. The firm produces a variety of cable, including armored and unarmored cable.

The company has invested in vertical integration. Thus, it invested in a rod mill that can produce over 55,000 tons per year of cop-

per rod, enough to meet domestic needs and export.

The newest addition was a polyvinyl chloride (PVC) plant, which will get its raw material from Saudi Basic Industries Corp. (SABIC). The PVC plant has a licensed capacity of 16,000 tons per year. The PVC is used to produce cable sheathing and insulation.

The company also invested in a reel-making plant with a capacity of 60,000 wooden cable reels per year.

SCC's industrial plant produces several categories of cables. It can produce overhead power lines, insulated power cables, and low-tension building wires. The firm also makes specialty cables.

Its vertical integration means cable sales are augmented by aluminum and alloy rod sales, PVC compound, and wooden reels and pallets.

The company has secured licenses to manufacture metallic and fiber optic communications cables and related electronics equipment. Investment in production facilities may reach SR150 million.

So far, SCC has exported cable and rod to more than 14 countries, including Pakistan, Algeria, Greece and India.

— Doug Graham

Abbar and Zainy: The 'A to Z' of the Private Sector

UNLIKE many of Saudi Arabia's modern entrepreneurs, Abbar and Zainy have been around for more than 40 years. Abdullah Abbar and Ahmad Zainy, founders of one of the kingdom's most active private companies, first put their seeds in the ground for their present empire when they started growing wheat.

They now operate a chain of restaurants, grocery stores, dairy farms and processing plants and act as importers and agents for a

variety of manufactured products. The company, currently managed by the second generations of the two families, is also involved in the construction and marine oil services support industries.

To a large extent, as the company's name implies, they are the "A to Z" of the private sector. Abbar and Zainy is totally international in outlook in order to best serve the national need for food products and restaurants.

As Saudi Arabia rapidly develops so does the taste

for a more cosmopolitan diet. Imported brand-name foods include Del Monte and Gerber. There is prime beef from the United States alongside locally made dairy products, halawz and sesame sticks.

With the help of Swedish know-how, the company recently took over a dairy plant to compete in the difficult milk products market. Technology, aided by keener business acumen, seems certain to set the company on the road to success where others have failed.

In a joint venture with the French catering experts, Sodexo, Abbar and Zainy have opened a network of theme restaurants serving a mixture of fast food, top-class French dishes and locally based pastries.

Known as the French Corner restaurants, they first opened three years ago and there are now around one dozen in the main cities. The restaurants rely on supplies of prepared foods from a centrally based kitchen in each city that supplies the outlets, a formula that is becoming in-

creasingly familiar in the Gulf and the rest of the Middle East as development proceeds.

But Abbar and Zainy's enterprises are not only concerned with food processing and eating outlets. They also have several international joint ventures that include major capital projects with American and Japanese partners. One project is for a major year plant in conjunction with Universal Foods of Milwaukee, and another is for a revamped confectionery plant.

Alireza: Life in the Fast Lane



Haji Hussein Alireza, managing director of Haji Hussein Alireza Co Ltd.

FORD's new agent for its Mercury line, Haji Hussein Alireza & Co. Ltd, is a strong partner that has outlasted many car companies whose vehicles it has sold in the past.

Husein A. Alireza, whose grandfather founded the company, recalls that it imported the first four-wheel car into the kingdom in 1926. "It was either a Durant or a Hupmobile," he said. Both brands have long since disappeared into the big names of Detroit today.

The company is best known for importing Mazdas and the Ford Mercury line, but it has imported a wide range of vehicles in the past. "We imported Nash, Studebaker, International, Mack, and Mercedes Benz," Mr. Alireza said.

Nash and Studebaker have since folded, although they have become collector's items.

Alireza also won the Ford agency in the 1930s, but lost the agency when Ford was pur on the Arab boycott list in the late

1960s. When Ford was taken off the list earlier this year, Alireza was awarded the Mercury Division.

The company estimated a first-year sale of 3,000 cars, but sales are running ahead of estimates.

American car sales are benefiting from the weak dollar. The Japanese are suffering because in the past three or four years Japanese car prices have risen 250 percent. Prices for European cars have also risen sharply.

"Saudi Arabians always preferred American cars, and they were driven to buy the Japanese because of the price. But now when there is little difference in the price, they are buying American again," he said.

Haji Hussein Alireza is an offspring of the kingdom's oldest commercial establishment, the Alireza group. Haji Abdullah Alireza is the oldest firm, founded over 115 years ago. The grandfathers, Abdullah, Kencel, and Husein, separated in 1906 to found separate companies.

During the oil boom period of the 1970s, Alireza's company branched out into many activities, as did most Saudi firms. "Today the company is mainly automotive," Mr. Alireza said. "After the slowdown, we restructured our company and threw out a lot of the lines."

The company is involved in engineering, agricultural tractors and implements, power generators, power pumps and Liebherr brand heavy equipment.

As a dealer of MAN trucks, Mazda commercial vehicles, and Mercury cars, Mr. Alireza finds his firm is well placed for the future. The firm has built a network of 14 branches.

"We found this year that the economy is picking up," Mr. Alireza said. "Sales are much better than last year. I think the country was restructuring, in a way. We believe in further growth of the economy and expansion and we are going to be ready for it."

— Christopher Ogg

— Doug Graham

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Sharing Risks and Rewards

(Continued from Page 13)

for implementing a government contract.

Banks would not normally lend medium or long term domestically — the classic requirement to support entrepreneurial development — as Jad Suidan, then director general of the (J-Riyadh-based Arab Investment Company, argued powerfully and eloquently several years ago.

Pragmatists see the problem in simple terms. The banks could choose among attractive profits on short term trade finance (secured against goods and dealing with excellent names), extending international sovereign risk credits brought to them by high quality international banking names, or accepting long term risks backing the largely untried skills of domestic entrepreneurs seeking to implement private sector projects.

The pessimists point out that, by choosing the first two and largely ignoring the third, they inherited the worst of all worlds.

In the oil price crash, the

banks suddenly learned that Saudi law reflects Islamic law: profits are based on shared risk. Some bankers found it difficult to deal with the fact that a client could not be directly brought to book on a debt. Instead, he might point to a pile of suddenly unwanted aggregate sitting some hundreds of miles from Jeddah and say "we have a problem. What are we going to do about it?"

Winners and Losers

Bankers also rediscovered they were in the risk business when loans entered into with Third World countries for far fees and small spreads over LIROR suddenly started running sour.

And all the time, the small entrepreneur that they wouldn't supply with the funds he needed, on the maturity he required, on a risk-sharing (quite possibly equity) basis totally acceptable to Sharia law, has probably been better shielded from the downturn than anyone else.

The government has

been trying to resolve the complex legal issues surrounding the enforceability of debt. At present, it seems clear that in an Islamic society, banking is about sharing both risk and reward.

While most Western commentators focus on the issue of interest and collateral and whether or not they can be enforced by law; the Saudis are grappling with a more fundamental issue — the meaning of risk and the implied partnership between banks and their clients in that risk.

In an intriguing development, the Islamic finance group, Al-Rajhi was licensed as a bank in June this year. SAMBA's managing director Shaoukat Aziz welcomed this as "a positive development. It brings a major provider of financial services into the banking community."

Pragmatists point out that the banks entered the fray knowing both Saudi law and custom. For about a decade the Saudi banks, especially the joint venture

banks, enjoyed some of the highest profitability levels in the world.

The optimists refer to the hardening of oil prices, the upturn in the Saudi economy, the strengthening of the construction sector and the genuine attempts to find solutions to Islamic banking issues in a world that includes many other banking problems: offset trading; deep discounting of Third World debt; sovereign default; and the regular abuse of the rules of international trade.

Creative Solutions

Among the optimists is Saudi American Bank, Citicorp's joint venture bank. John S. Reed, the chairman of Citicorp, recently visited the kingdom and said, "Imaginative economic planning and development has resulted in spectacular progress for the kingdom."

The pragmatists know that solutions have always been found, that Saudi Arabian Monetary Authority has acted responsibly and flexibly in the past; and that many options remain

open to the monetary authority of what is, after all, still one of the world's most powerful economies.

The pessimists cite the disillusionment of many of the investor banks in their role and future in Saudi Arabia, but there are few of their other international investments that can have shown as much profit over the past decade or as much potential for development over the next, if only they could determine exactly what business they're in.

Banks exist by acting between people who sell and people who buy. Saudi Arabia will be a major player on both sides of that equation for a long time. Part of that role involves understanding the rules on both sides and even helping to arbitrate.

Many sophisticated banking products emanated from the first international surge of Islam centuries ago. Similar creativity today could reap similar rewards again.

— Christopher Ogg

— Doug Graham

The sign of understanding.

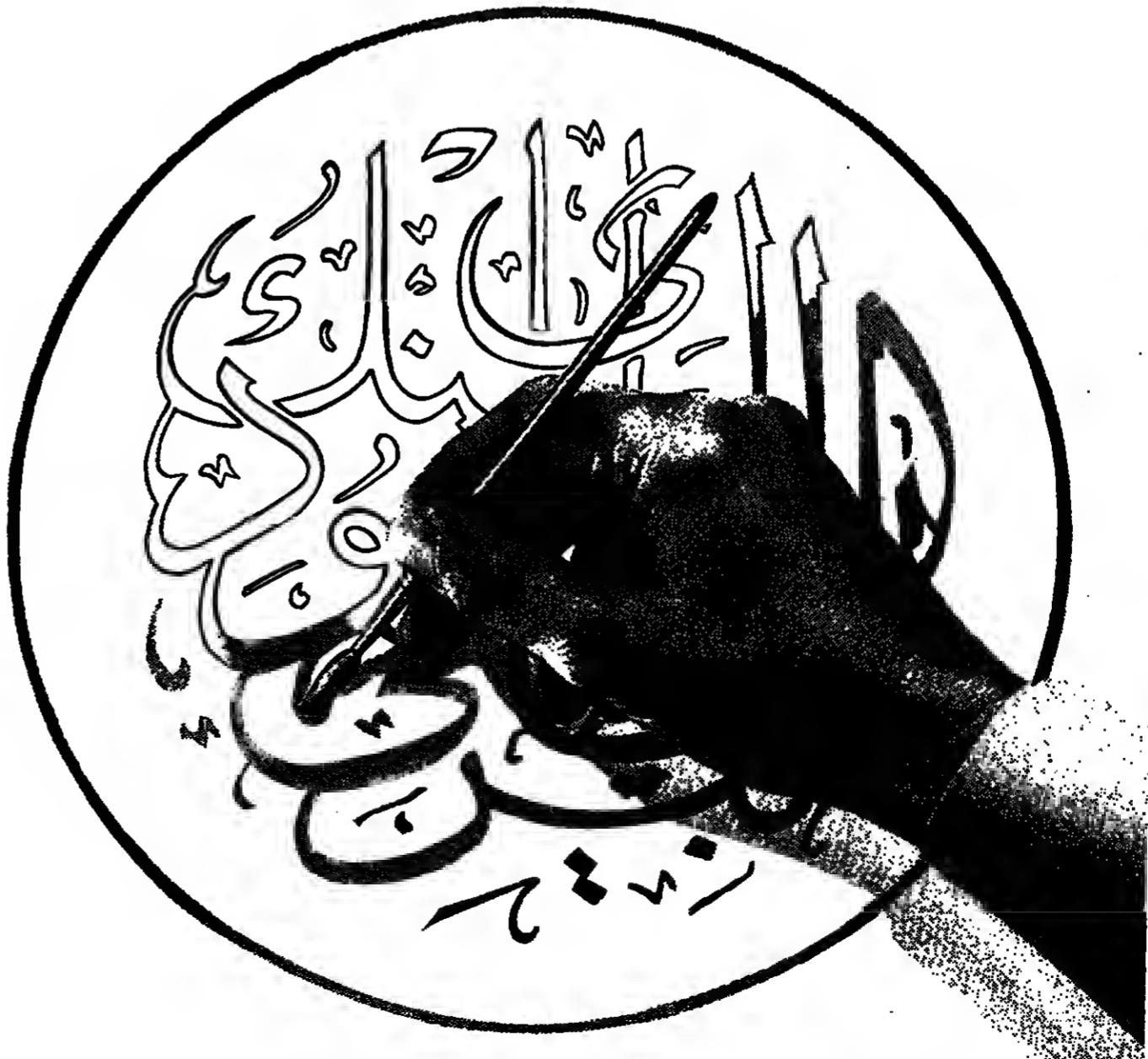
There are branches and offices of The Saudi British Bank throughout the Kingdom. In Al-Khobar, Dammam, Jeddah, Riyadh, Taif - Jubail - Hufuf - Makkah, Madina and Buraidah and over 30 other branches in the Kingdom. And in each case, the sign outside does more than announce our presence. It shows you that we understand the demands and needs of a fast



developing economy and nation. It shows you that we understand and are ready to help with your financial requirements whether at home or abroad, no matter how small or large. And it shows that we understand and have a commitment to all our customers from the personal account holder through to the largest international corporation.

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مكتبة النخيل

ADVERTISING SECTION

ADVERTISING SECTION

Petrochemicals: Off the Drawing Board and onto the Market

TEN years ago, Saudi Arabia's petrochemical industry was in the planning stage, but today Saudi Basic Industries Corp. (SABIC) sells more than 3 million metric tons of chemicals, plastics and fertilizers, worth over \$1 billion a year.

SABIC, which is 70 percent owned by the government and 30 percent owned by the public, now operates 11 plastic, fertilizer and chemical plants. Private investors have also announced plans to produce aromatics, polyols, PET resins, and maleic anhydrides.

"I see in the future that Saudi Arabia will be one of the main industrial centers for commodity chemicals and petrochemicals," said Ibrahim Ibn Salamah, vice chairman and managing director of SABIC.

The corporation was founded to establish joint ventures that would contribute technology, marketing expertise, and help toward that goal. The investments would have the benefit of low-cost natural gas, tax holidays, and entitlements to crude oil in the event of future crude oil shortages.

Mobil, Exxon, Texas Eastern, and Celanese from the United States have entered into joint ventures. Eni Chem of Italy, Neste Oy of Finland, Mitsubishi of Japan, as well as Korean and Taiwanese firms have also established joint venture companies in tandem with SABIC.

president of SABIC subsidiary SABIC Marketing Ltd., Abdullah Nojaidi. He stresses that much of SABIC's output is consumed in the kingdom, both directly and in conversion into other products.

The new 50,000 mtpa Burene-1 unit added by Arabian Petrochemical Co. (Petrokemya) will ship its output to SABIC plants producing linear low-density polyethylene (LLDPE) and high-density polyethylene (HDPE). At least half of SABIC's ethylene dihalides is now converted to PVC and VCM. Saudi farming consumed a large portion of its urea fertilizer output.

A methyl tertiary butyl ether (MTBE) plant will come onstream in 1988. The kingdom is considering a plan to switch to unleaded gas, which would use a large proportion of the plant's output.

Much of SABIC's future PVC production will go to the kingdom's large PVC-consuming industrial materials sector. Polystyrene is also used by the kingdom's industrialists. Consumption of plastics in the kingdom is now more than 180,000 tons per year.

SABIC products are sold both by its joint venture partners, and its two wholly owned subsidiaries, SABIC Marketing and SABIC Marketing Services, established in 1983. SABIC Marketing Services is established in London and Hong Kong and has a representative office in Tokyo.

SABIC has also opened overseas sales offices, SABIC Marketing Europe, based in London, and SABIC Marketing America, in Stamford, Connecticut. "The objective is to keep

SABIC close to the market," said Mr. Nojaidi.

Meanwhile, SABIC is continuing to expand. In addition to the Burene-1 unit, a 100,000 ton per year polystyrene unit at Petrokemya is starting up. The Saudi European Petrochemical Co. (Ibn Zahr) 500,000 mtpa methyl tertiary butyl ether (MTBE) joint venture is expected to be operational in 1992.

The National Chemical Fertilizer Co. (Ibn al-Baytar), a joint venture with SABIC-owned SAFCO, has begun shipping ammonia and has a capacity of 500,000 mtpa of ammonia. Further, SABIC is advancing on the second phase of Ibn al-Baytar; it will add an 800,000 mtpa compound and phosphate fertilizer plant. The capacity of Saudi Methanol Co. (Ar-Razi) may also be raised from 600,000 mtpa to 1.2 million mtpa.

In the longer term, SABIC is considering a 200,000 to 250,000 mtpa polypropylene plant in Yanbu, the kingdom's giant petrochemical port on the Red Sea. Other projects could produce polyesters, and alkyl resins, and alpha olefins.

SABIC was formed to encourage the development of downstream industries. One of these, the Saudi Urethane Chemicals Co. Ltd., has gone onstream in Jubail. The 3,000-ton per year polyols plant is a joint venture between the Albahrain Industrial Group, Synthesia Espanol of Spain, and Upjohn Polymer of the United States.

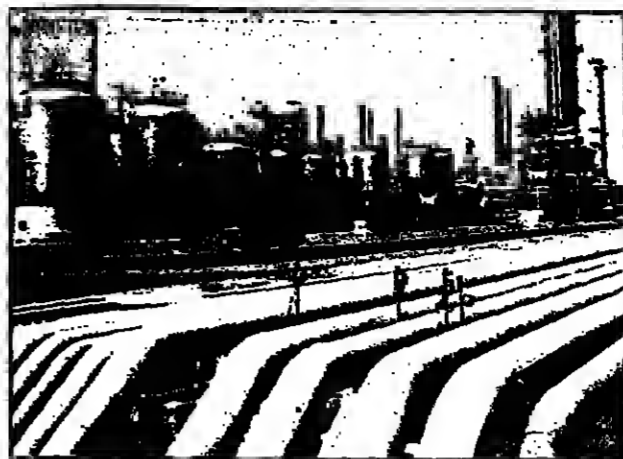
Jeddah's Saudi Venture Capital Group has received industrial licenses for PET resins, maleic anhydrides, and aromatics. Fluor Arabia

helped with research and feasibility studies.

The National Industrialization Company (NIC) has invested in Shairco's Kerr-McGee joint venture titanium dioxide plant. NIC has also formed a joint venture to collect hazardous waste at Jubail. The National Company for Environmental Preservation (BEEAF) is accepting bids on a plant that will process 10,000 tons of waste per year using landfill, high temperature incineration, and chemical treatment. Khadamat and NIC will own 25 percent each, the remainder will go to Saudi investors.

Mr. Nojaidi welcomes private sector participation in petrochemicals, but warns Saudi entrepreneurs that they are entering a competitive business and that they have to look beyond the domestic market. "You need very aggressive businessmen to take initiative and risks in this business," he said. "They should produce international products that can compete on international markets."

— Doug Graham



Petref Export Refinery in Yanbu.

Foreign Investment In Industrial Cities

WHEN H.E. Mr. Hisham Nazer, Minister of Petroleum and Minerals, toured the United States earlier this year, he urged American businessmen, especially those in the petrochemicals industry, to join Saudi Arabia in more joint ventures.

Saudi Arabia, he said, was going to use its vast gas and oil resources to estab-

lish a world class petrochemicals industry. His country had no intention of dumping cheap petrochemicals in order to capture a share of the global market.

Fifteen of Saudi Arabia's 17 scheduled world-scale petrochemical and industrial plants already are up and running in the twin industrial cities of Jubail and Yanbu. The two projects, conceived and implemented by a Royal Commission, represented more than a \$30 billion investment.

Prince Abdullah bin Faisal bin Turki, secretary-general of the Royal Commission for Jubail and Yanbu, describes the commission as "a unique development agency not only within Saudi Arabia but, perhaps, in the entire world."

Prince Abdullah joined the commission when it was established in 1975 to build primary petrochemical industry plants at Jubail on Saudi Arabia's east coast — now linked by pipelines across the desert to Yanbu on the Red Sea. Development has been carried out in concert with both the Saudi Basic Industries Cor-

poration (SABIC) and Petromin, the energy agency.

The two cities are the cornerstone of the country's industrialization and have reached new limits in joint-venture operations with partners from the United States, Japan, Taiwan, South Korea, West Germany, Italy and Finland, among others.

Jubail was a fishing village 18 years ago. Now its population numbers 50,000 and is expected to increase to over 250,000 after the turn of the century.

The whole area is a maze of glistening silver pipes feeding primary products and natural gas to power the plants. Through it all slices a black tarmac four-lane highway with a steady stream of constantly moving heavy traffic.

Says Prince Abdullah: "The twin cities of Jubail and Yanbu host over 100 light manufacturing industries to support a variety of needs — not only of the cities themselves but of our domestic markets generally. As construction, engineering and urban development projects, Jubail and Yanbu are unique industrial cities with state-of-the-art utility systems and infrastructure and a community environment program that has captured esthetic form and a fully modern social services content."

Both Prince Abdullah and H.E. Mr. Hisham Nazer stress the need for greater private investment within the kingdom, not only directly from private companies but also in association with foreign partners.

"The government has made it quite clear that the ultimate responsibility for the industrialization of our country rests with private enterprise," says Prince Abdullah. "While it is true that the government has in-

tervened in the industrial sector in association with leading corporations of the world, the objective has always been the nourishment and growth of the private sector."

He points out that the present period of economic consolidation and industrial diversification has also provided the Saudi businessman with a chance to "remold his initiative. The high rates of return during the made-led boom years have to be transformed to lower rates of return spread over a longer period, particularly in the manufacturing sector."

Referring to future investment, Prince Abdullah said that, despite government spending constraints, capital scarcity was not a problem for the country's economic development. "The government has adequate reserves and, what is not always remembered is that the private sector holds almost as much reserves as the government itself. The tapping of this vast reservoir of capital is one of the primary tasks of the present phase."

According to Abdul Aziz Al Zamil, Minister for Industry and Electricity, Saudi Arabia has more than 2,000 operational factories and manufacturing plants representing an investment of \$16 billion.

"We want competitive, viable industries which can generate a net national economic benefit," says the minister.

Encouraging greater private and foreign investment in Saudi Arabia is now a number one priority. Prince Abdullah and the Royal Commission hope that potential foreign investors will look closely at Jubail and Yanbu and see for themselves that Saudi Arabia is open for business.

From Construction to Medical Care

SHEIKH Abdulla Fouad started his business in 1947 at Ras Tanura carrying out different construction contracts to ARAMCO. The Abdulla Fouad Corporation was formally established on July 28, 1971.

From its beginning in contracting, trading and engineering, the Abdulla Fouad Corporation was expanded into a number of diversified sectors including contracting, trading, manufacturing, services, real estate, investment and commercial representation. In short, the company today is involved in virtually every aspect of the expanding Saudi Arabian economy.

The supply services division of the corporation represents over 200 major European, American and Japanese firms. The corporation's commercial division is mainly engaged in the supply of all types of heavy and medium-sized equipment as well as the supply of construction and industrial material.

The 310-bed Abdulla Fouad Hospital offers a unique medical service to the people of the Eastern Province and it is a project which will continue to expand in its efforts to help in the medical program of Saudi Arabia.

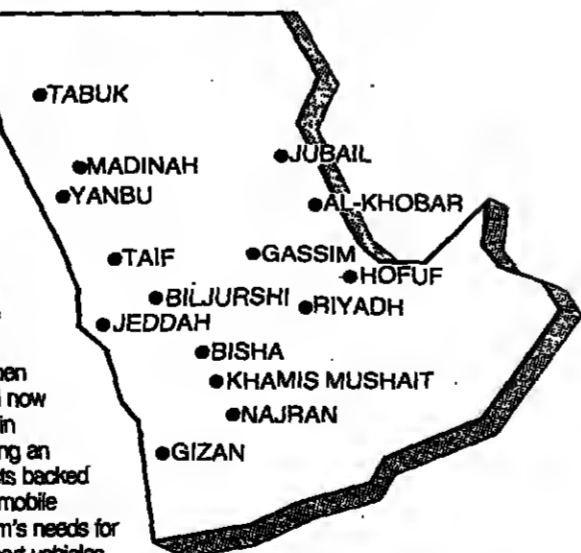


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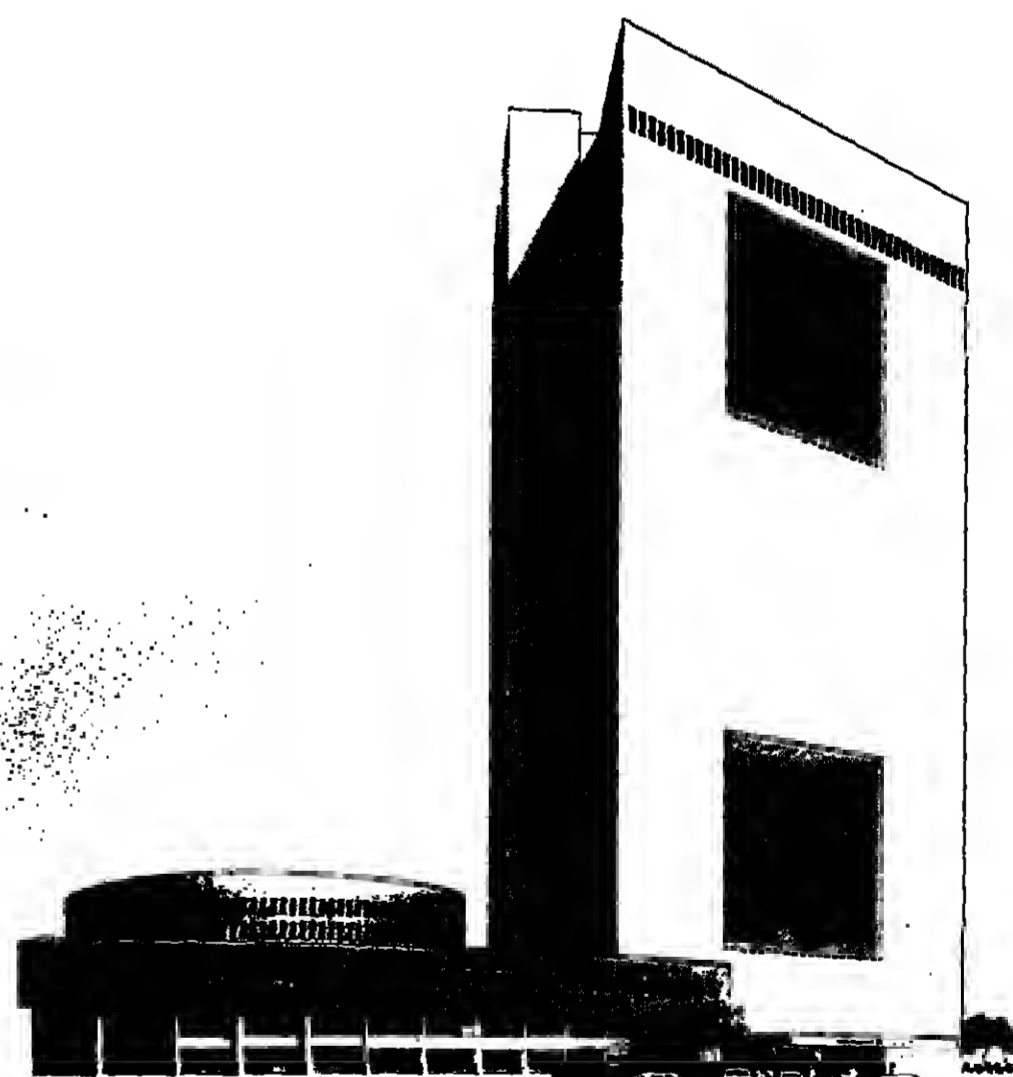
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REAL ESTATE DEMAND OUTSTRIPS SUPPLY

WHEN Gérard Jean and Hubert de Mont-Marin left Dupuy-Saatchi to found their own ad agency three years ago, they naturally looked for space in Neuilly. "We had always worked here," explains Mr. de Mont-Marin, "and our new agency needed the credibility that a chic Neuilly address could give us." The agency, Jean et Mont-Marin, first moved into a 300-square-meter town house, known as a "hôtel particulier." Two years later, after landing such important budgets as Pentax, Lancôme perfumes, Pan American Airways and S.T. Dupont watches, the partners set about looking for larger headquarters.

The search lasted more than six months and involved several real estate agents. The town house they moved into last month was built in 1784 and entirely renovated. The oldest of its kind in Neuilly, it is being rented to the agency on the basis of a 30-year lease with the town of Neuilly which owns it.

Three times larger than the agency's former house, it is also two and a half times as expensive. "The price we're paying has jumped from 1,000 FF to 2,500 FF per square meter and we had to decide if we wanted it in less than half-an-hour or it would have been grabbed by someone else," recounts Mr. de Mont-Marin.

becomes available, is taken right away."

Only five minutes from the Champs-Élysées, Neuilly is by far the most sought-after and expensive suburb of Paris. According to Françoise Vercaemer, of the international realtors Jones Lang Wootton, a major incentive for companies is the suburb's extremely low professional tax rate. At 7.917 percent (as compared to 11.667 percent in Paris, an average of 13 to 22 percent in the other Parisian suburbs and 27.297 percent in Aubervilliers to the northeast), Neuilly has the lowest company tax rate of the whole Paris region.

In addition, when companies started flocking to this then completely residential suburb at the beginning of the 1970s, the rents were cheaper than in most of Paris.

"When the commercial boom was at its height in the mid-1970s," recalls Mr. Labro, "we had thousands and thousands of meters available and sellers were forced to negotiate to be competitive." Since then the price of real estate in Neuilly hasn't stopped climbing. Over the past two years, with space increasingly rare and demand just as strong, they have soared 20 to 25 percent.

Office space is renting for 1,700 to 2,200 francs per square meter and selling for around 25,000 francs per square meter. That makes Neuilly property less expensive

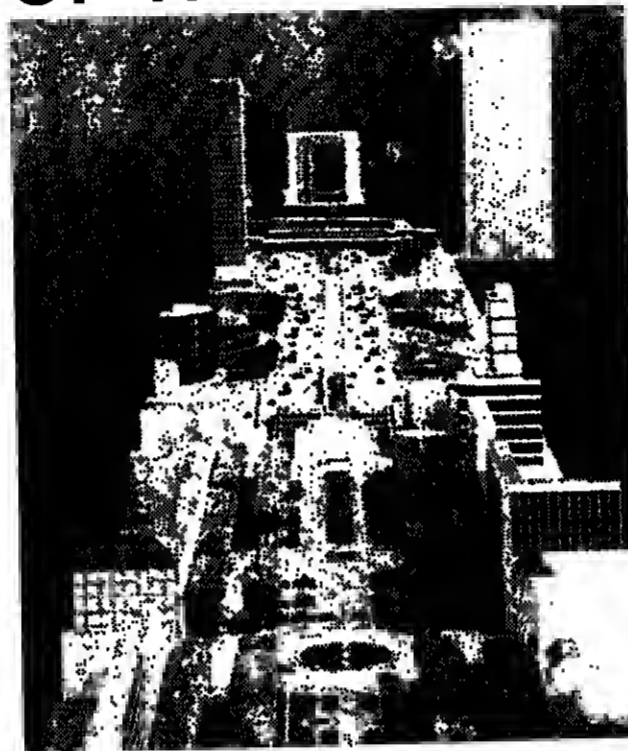
NEUILLY SUR SEINE

LIGHT AT THE END OF THE TUNNEL

WITH its tree-lined avenues and quiet streets, Neuilly could almost be mistaken for a peaceful provincial town — were it not for the avenue Charles de Gaulle, the main east-west road of Paris that currently cuts clean across its center. Every day, 150,000 cars take it to go back and forth to Paris.

The ideal solution — rerouting the traffic underground and creating a tree-lined pedestrian area above — might seem simple enough. Yet finding the appropriate financing has taken years.

According to the Mayor of Neuilly, Nicolas Sarkozy, one reason why the current one billion franc project has succeeded where others failed is because of the decision to cover only part of the avenue at a time. The 435 meters of tunnel for car traffic is only the first step but, as Sarkozy says, "it was important to begin."



A preview of the finished project.

regulations restrict commercial activities to the northern extremity of the suburb and the area on both sides of avenue Charles de Gaulle. Practically three-quarters of Neuilly are reserved for residential housing.

"The 1951 Urbanization Plan sheltered Neuilly from the over-development that many towns experienced in the wave of post-World War II construction," states Thierry Gaubert, one of mayor, Nicolas Sarkozy's close collaborators. Stringent restrictions govern the height of buildings and their appearance. The town's trees are safeguarded, as are its gardens.

Such regulations have enhanced the value of the suburb while contributing to the rarity of space and the difficulty of construction. Mr. Gaubert estimates the number of new constructions at three or four a year. These usually involve the demolition of town houses which are difficult and expensive to keep up. Their owners will sometimes exchange them for a floor of the apartment house built in its place.

Many old-time Neuilly residents regret the disappearance of the private houses that covered the suburb half a century ago. Of the remaining 400, only the 300 located on private streets (dead-ends accessible only to occupants and their guests), are protected from demolition by municipal legislation. Many of the others will eventually be replaced by

apartment houses or office buildings in zones where commercial activities are allowed. Yet despite the cost of a town house, anywhere between 10 and 25 million FF, there continues to be a strong market for them. A turn-of-the-century town house near the Bois de Boulogne (the largest park in the Parisian area), with 300 square meters of living space and a 150-square-meter garden, recently sold for 15 million francs.

According to Noelle Portier of Neuilly-Paris-Ouest, one of eight realty agencies based here, Neuilly is the perfect combination of city and country living. "Bordered by the Bois de Boulogne, we have numerous municipal gardens," Ms. Portier points out. "What's more, most apartments have large terraces or balconies, while town houses have gardens." One of the few vacancies currently available at Neuilly-Paris-Ouest, for example, is a four room apartment in a modern building with 120 square meters of living space, a 180-square-meter terrace and parking. It is selling for 4.7 million francs.

Such luxury, so near to the center of Paris, is not within everyone's reach and over the years Neuilly has become a rich man's suburb, a status symbol for its residents. According to Daniel Calais of the Department of Urbanism at Town Hall, the average selling price in the residential market is 35,000 FF per square

meter, up 20 percent over the past two years. Renong has become so expensive that the market has virtually disappeared.

A combination of lack of office space, high prices and congestion along the main streets has sent some companies north or farther west. Nonetheless, the real estate market in Neuilly is expected to remain as tight as it is

today, with demand high and the vacancy rate low. Nobody can predict whether prices will continue to climb as they have over the past two years, nor how much people are willing to pay for space here, but no other suburb of Paris and few of its districts offer the convenience, amenities and prestige of Neuilly.

—Joyce Wakmann

THE NEAR WEST REDISCOVERED

LOOKING at Neuilly as it is now, with its fine boutiques, bevy of businesses, and sumptuous homes, it is hard to imagine that this area was once a plot of swampland. But that was back in the days when the potato was still nouvelle cuisine.

In 1786 Antoine Parmenier presented his first crop to Louis XVI. The vegetable — formerly confined to the Limousine area of France — swiftly became so popular that Benjamin Franklin found himself at a dinner where the menu consisted of nothing but potatoes in every possible form.

The pastoral past disappeared as thousands of companies discovered Neuilly's proximity to Paris, greater greenery and pure air. "The challenge now," as explained by Mayor Nicolas Sarkozy, "is to preserve the ecology of our town. We want the green of parks and gardens and trees to be the color of our city."

Efforts to preserve the trees and parks began back in the 1950s under Achille Peretti, the former mayor. Since then the city has blossomed into the home of 3,135 businesses employing 35,000 persons in 800,000 square meters of offices, mostly on the avenue Charles de Gaulle and the Ile de la Jatte. Yet building restrictions have preserved the city's 248 hectares of parks and gardens, guaranteeing the 65,000 inhabitants of Neuilly some 38 m² of park area per person.

No wonder 50 percent of the residents are either company presidents, professionals or top managers (not to mention

the diplomatic population which live in the city's 24 foreign embassy residences). The 64,450 inhabitants currently pay 1 percent of the total income tax paid in France and 24 percent of those in the Department of the Hauts-de-Seine.

Neuilly's commercial sector is equally upmarket. As a crossroads of communication, it houses 400 companies in the fields of radio, television, publicity and publishing.

As early as the 1930s, Chanel Perfumes moved in because, "we had a presentiment of the luxurious character of this site," says a spokesman for the company. Since 1980, Yves St. Laurent Perfumes has also been based on the Ile de la Jatte and, next year, will be joined by Paco Rabanne.

Building and refurbishing projects account for 63.48 percent of the city budget. Massive projects such as the 40 million franc remodeling of the Place du Marché are being financed by city hall in conjunction with private companies to relieve the burden on the taxpayer.

In a master-stroke of combining good living with sound urban planning, the city has also found a solution for the busy — and noisy — traffic on the avenue Charles de Gaulle. And work is forging ahead on the installation of a total cable network for mid-1989.

As Renée Michelangeli-Peretti, daughter of former Mayor Achille Peretti and director of Neuilly Journal Indépendant concludes: "You cannot prevent change, but you have to manage it well."

—Harriet Welty-Rochefort



Secluded homes in quiet streets.

The difficulties encountered by Jean et Mont-Marin in finding space and the price they had to pay to stay in this prestigious suburb of Paris are by no means unique. "A company that wants to move into Neuilly today has to be extremely determined and patient," states Robert Labro of Jean Thourard, one of France's top commercial real estate consultants. "Whatever space

is available, is taken right away."

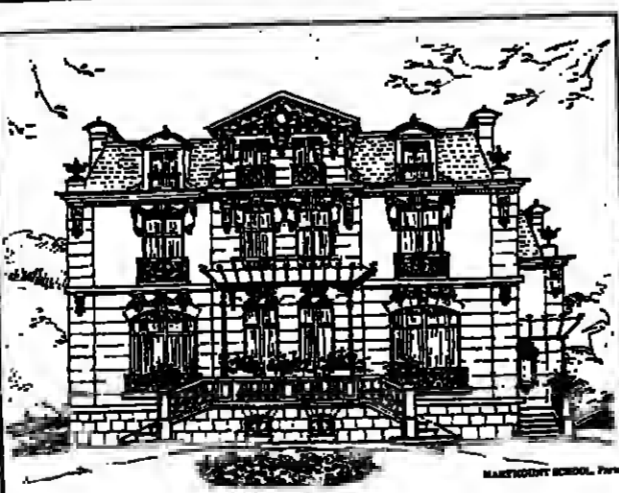
Only five minutes from the Champs-Élysées, Neuilly is by far the most sought-after and expensive suburb of Paris. According to Françoise Vercaemer, of the international realtors Jones Lang Wootton, a major incentive for companies is the suburb's extremely low professional tax rate. At 7.917 percent (as compared to 11.667 percent in Paris, an average of 13 to 22 percent in the other Parisian suburbs and 27.297 percent in Aubervilliers to the northeast), Neuilly has the lowest company tax rate of the whole Paris region.

Head Chef
Philippe Lempereur
 Diploma Ecole Hôtelière 1964
 Specialties from Quercy
 Game - Canard au Sang

Business lunches - Dinners
 Closed on Sundays
 17, rue Paul Chatrouse - 92200 NEUILLY-sur-Seine
 Tel.: 47.47.73.17

THE WORLD BEST CHOCOLATES

GODIVA
 Makers of Chocolates, Candy, & Ice cream
 160 av. Charles de Gaulle
 92200 Neuilly-sur-Seine
 tel.: 46 24 0824



Marymount School
 72, bd de la Saussaye
 Neuilly-sur-Seine 92200.
 46 24 10 51

"Marymount has been serving the Paris community since 1923. Today, it offers an American curriculum to boys and girls, ages four to fourteen."

"For information, please contact the Headmistress."

"There are three steps to Heaven..."
 Eddie Cochran

PLANET

The Restaurant That Opens Heaven's Gates
 6, rue du Cdt PILOT 92200 NEUILLY
 46 40 08 88



Ile de la Jatte, Neully's offshore center.

NEULLY INTERNATIONAL

HIGH-TECH HOSPITAL

THE APPARENT PERSUADERS

In Neully the admen remain. Less brash than Madison Avenue, more spacious than Soho, the area currently houses at least 110 agencies. Despite takeovers, mergers and new firms being founded, the cast of characters remains fairly constant.

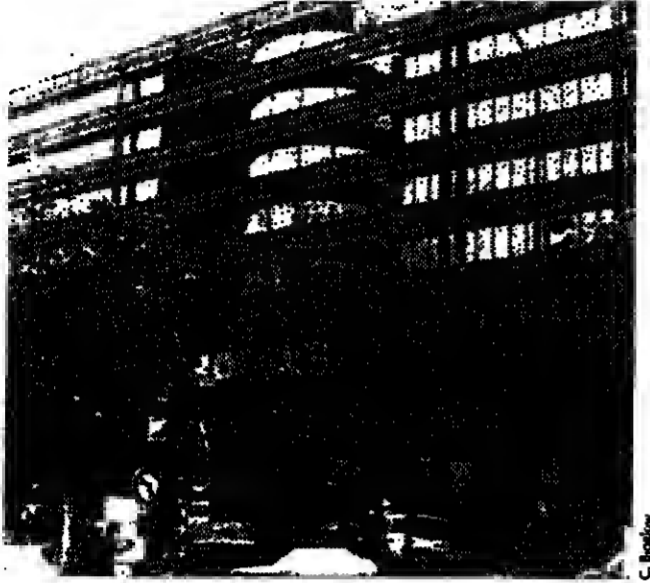
Havas was one of the first to arrive and, some claim, started the westward trend single-handed. In its latest incarnation as HDM, the giant group is now represented on three continents thanks to international tie-ins with Young and Rubicam in the United States and Dentsu in Asia.

Belier is another worldwide presence, with offices in Neully, Soho, Madison Avenue and Hong Kong. Its philosophy is to create national campaigns within an international framework. For, as Pierre Lecosse explains, "With a few notable exceptions such as Coca Cola or Marlboro, cultural differences

make it impractical to run the same campaign in every country."

"In France advertising is generally more emotional than in the United States. French people don't like to be advised or even informed," confirms Evelyn Soum, marketing director of Audour, Soum, Larue/SMS.

Both Belier and HDM are linked to Eurocom, which last year reached a turnover of 15 billion francs. Of this figure, 10 percent was in the U.S., 40 percent in Europe and the remainder in France. The president of the company, Bernard Brochand, oversees this empire from his office above the avenue Charles de Gaulle. Barely a mile away, Dupuy Saatchi & Saatchi Compton is like D.P. Industries, its industrial affiliate, on the Ile de la Jatte. Back in 1973, when its current headquarters were built, the move was considered something of a novelty. Now, according to Didier Colmet Daage, "I believe that the Ile de la Jatte has the potential to become the Ile St. Louis of the 21st century."



Neully's pioneer ad agency.

For, along with international agencies like DMB&B, Neully naturally attracted other communications specialists. They now number some 400 in all, including film companies such as UGC and publishers such as Hachette. Neully Communications celebrates their presence with its annual Festival de la Pub, currently being held at the Theatre de Neully. As more companies drifted away from the

city center and across the river into La Defense, the agencies continued to follow. But they preferred the peace of Neully to the bustle of the new commercial sector. Along with its relatively low overheads, it offered the added advantages of an upmarket area, five minutes from l'Etoile.

"Our clients are happy to see us here," says Jean-Louis Courtois, of Pema 2B. The agency, which concentrates on high-tech and aerospace accounts, deals with over 500 international publications from its home on the island.

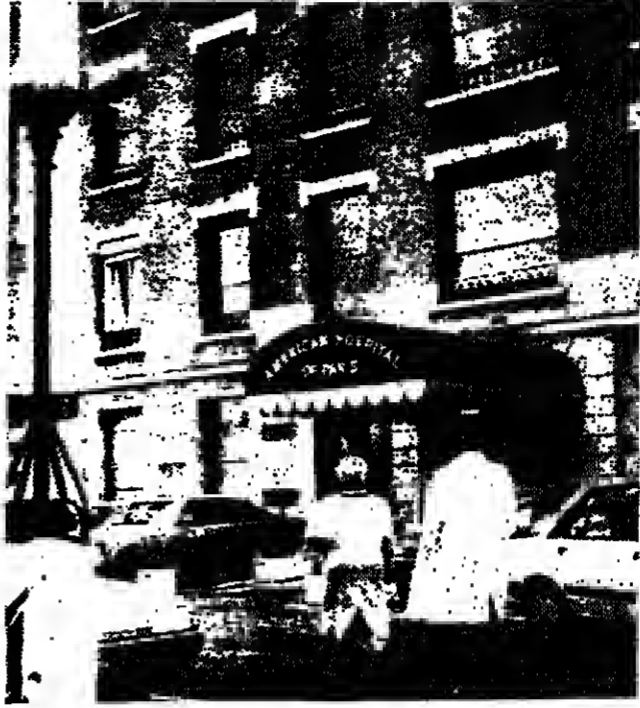
For small and medium-sized companies the trend is toward specialization. A recent arrival, Jonction, applies its expertise to recruitment advertising in national and business media. While Mao concentrates on its long-standing relationships with a few select clients, Prominter is anticipating pan-European business in 1992.

Behind the scenes, the hospital is a hive of activity. Around-the-clock care is provided by teams of nurses and technicians, who outnumber the patients by nearly three to one. The emergency services, which are on constant call for everything from road accidents to toothaches, deal with 12,000 cases a year while the outpatients department treats a further 80,000. Yet, within

At first sight, with its elegant facade and bright, striped awning, the American Hospital of Paris could easily be mistaken for a hotel. The illusion is almost complete as visitors enter the hushed reception area, for the familiar clinical smell is nowhere in evidence.

Behind the scenes, the hos-

pital is a hive of activity. Around-the-clock care is provided by teams of nurses and technicians, who outnumber the patients by nearly three to one. The emergency services, which are on constant call for everything from road accidents to toothaches, deal with 12,000 cases a year while the outpatients department treats a further 80,000. Yet, within



Eighty years of American style medical treatment.

center is also numbered among the most successful of its kind.

All this began in 1906, when members of the American community in Paris decided to introduce a hospital that could combine American style medical treatment and an English-speaking staff. Built on the site of one of Louis XV's summer homes, it first opened its doors in 1910. In the 1930s it expanded from 10 private rooms to a 120-bed hospital. By the mid-'60s an extension was needed to make room for a Department of Nuclear Medicine. In 1978 another wing was added. The latest project is a new, 6-story extension which will house an amphitheater and library as well as three floors of parking for 200 cars.

Though its name is often linked with the rich and famous, it is not an exclusive sanatorium. According to Mr. Dial: "We have this image, but 95 percent of our current clients are not in that category at all. They are just looking for the best quality health care."

As Treasurer Bob Meahl notes, the American Hospital is a non-profit-making organization. "Everything goes back into plant and equipment. The hospital receives no subsidies here or in the United States."

Much of its success is due to the tireless efforts of the board of governors. Mr. Dial, who is head of worldwide sales and marketing for Peugeot, has been president since 1978. He says: "I have tried to bring people with business skills to the hospital. We have tried to apply our day-to-day skills in financial and management planning in a new environment and, to our satisfaction, found them to be applicable."

Since the 1980s, the annual level of investment has risen from approximately 5 million francs to its current level of nearly 20 million francs. Today about 60 percent of the hospital's patients are French, 20 percent are American and the remainder come from 100 other nations. But still it retains its identity, and remains the only private hospital in Europe to be recognized by the U.S. Joint Commission on Accreditation of Hospitals.

Mr. Dial's pride in this achievement is genuine. He enthusiastically explains how the extra space will be used "to make another floor for international medical exchange and conference library, for doctors' offices, outpatient services and administration — all of which will, in turn, free more space for other services." But, clearest of all, is his explanation of the reasons behind all this voluntary effort: "I really do like helping people. I like saving lives."

— Christopher James

UNDERSTANDING EDUCATION

THERE was an air of festivity on the Marymount campus despite a steady and relentless downpour. In the hallway, carrels were brimming over with canned and packaged food which, explained Sister Maureen Vellon, the headmistress, were destined for the poor. Downstairs in the kitchen, some of the children's mothers were preparing a special Thanksgiving meal complete with turkey, cranberry sauce and pumpkin pie. The excitement of the students was almost tangible.

All in all, the atmosphere was most extraordinary. A Thanksgiving dinner served in a school night in the heart of Neully is unusual in itself. Even more surprising is to find parents, usually regarded as an interference by most schools in France, involved in school activities. "We consider our parents as the central educators in their children's lives and they provide us with invaluable help," explains the headmistress.

Founded by the Religious of the Sacred Heart of Mary in

1923, Marymount is a private Catholic school that provides an English language program based on an American curriculum from pre-kindergarten to grade eight. One period of French is given each day by native teachers and for the minority of French students there's a course in English as a foreign language.

Of the 265 children attending the school, 50 percent are American, and the others represent 36 nationalities. Most of the children are in France temporarily with stays usually lasting about three years.

"Many children experience real difficulties when their family is transferred," says Sister Maureen, adding that the most trying age is around sixth grade. The international staff is able to give them quite a bit of individual attention since classes are small: no more than 20 and sometimes as few as ten per class. The school also has a resource center with specialists in learning, speech, language and psychomotor problems.

After school, the children have a choice of a wide range of extracurricular activities including basketball, tennis, swimming, karate, dance, music, drama, art and computer science. On Saturday mornings the parents run a sports program for the children, acting as organizers and coaches for the "closest thing to the little league this side of the Atlantic," according to Sister Maureen.

Marymount offers a two-track religious program for its Catholic children (more than 50 percent of the students) and for those representing 17 other religions. During the three periods of religious education each week, the non-Catholics study world religions. "Here again the parents are a big help," explains Sister Maureen. "We often ask them to come in and share the meaning of their religions with the children."

One of the major goals of the school is to encourage an understanding of the differences in cultures and faiths throughout the world. "Above all, we believe in the education of values such as

honesty and personal responsibility," says Sister Maureen.

Each morning during the week of Thanksgiving, the headmistress spoke to the children over the PA system. She asked them to reflect on their families, their schools and the country they are now living in, to think of someone to whom they were particularly grateful and to thank that person.

Cheery and rosy-cheeked, Sister Maureen stands out as a welcome contrast to the usual eight-tipped and stern school principal. As a child, she spent 12 years in one of the American Marymount schools. Attracted by the Sisters' devotion to each other and to the children, she in turn decided to join the community and devote herself to the education of others. She has been at the Marymount school of France for two years and declared in the November school newsletter that of all the children she has seen over the years, "the group that arrives here each day is, without a doubt, the happiest I've ever seen."

— Joyce Wakmann

RESTAURANT

Traditional cooking
Specialties

- Crock of snails with fennel
- Poached eggs florentine on toast
- Sliced Paprika beef kernel

LA BOUTARDE

Closed Saturday noon and Sunday
4, rue Boutard - 92200 NEULLY
Reservations : 47.45.34.55
47.45.57.84

Restaurant

LE MANOIR
Gastronomic cooking.
Chef: Alain Albat

L'EN CAS DU MANOIR
Rapid restaurant
Wine bar
Closed Sunday
4, rue de l'Eglise, 92200 NEULLY S/SEINE 46.24.04.61

JARRASSE

The fish specialist
Oysters - Seafood - Shellfish - Crustaceans
from the fish tank - Bouillabaisse
Fennel grilled perchi
Grand Marnier millefeuille pastry

PRIVATE ROOMS

RESERVATIONS 46.24.07.56 TAKE AWAY 46.37.16.52
4, av. de Madrid 92200 NEULLY

LE VILLAGE

175, Avenue Charles de Gaulle, 92200 NEULLY
Tel.: 46 37 17 56

• Auvergnat and Southwest specialties • Choice steaks from our grill • Our sauerkraut • Our seafood

Restaurant "La Guinguette de Neully"

Lunch - Dinner
12 bd de Levallois (Ile de la Jatte) Neully 46.24.25.04.
Closed Sunday

Le Petit Poucet

RESTAURANT
Tel.: 47 38 61 85
1 Boulevard de Levallois (prolongé) Ile de la Jatte (92200 Levallois)
Closed Sunday and Monday evenings

Restaurant
Lunch - Dinner

LA JATTE

Warm weather terrace Private parking

Tel. 47.45.04.20
60 bd Vital Bouhot (Ile de la Jatte) 92200 NEULLY
closed Saturday noon

LA CHEVALIERE

RESTAURANT

SANGRIA
LOBSTER Brochettes
Valencian Paëlla
Quail in Escabech

209 ter, av. Charles-de-Gaulle - 92200 NEULLY S/SEINE
Tel.: 46.24.07.87
Closed Saturday noon and Sunday

RESTAURANT LA RASCASSE
Louis FRANZA

Oysters and shell-fish - Daily fish special
Live crustaceans

10 Av. de Madrid, 92200 Neully. Tel.: 46 24 05 30.
Closed : Saturday and Sunday.

Ile de la Jatte

Restaurant CHEZ YAU
Chinese and Vietnamese specialties

217 Boulevard Bineau
92200 NEULLY/Seine
Tel.: 46 24 02 38 Open daily

The Italian of Neully

LIVIO

Restaurant

You will appreciate real Italian cooking
(it is wise to reserve)

Tel.: 46.24.81.32
6, rue Langchamp, 92200 NEULLY - Daily

CARPE DIEM

CHEF DE CUISINE : SERGE COQUOIN

10, RUE DE L'ÉGLISE
92200 NEULLY-SUR-SEINE
TÉL. : (1) 46.24.95.01

MÉTRO PONT-DE-NEULLY

BETWEEN NEULLY AND L'ÉTOILE

LE PRESBOURG
3, av. de la Grande Armée, 75116 Paris

At the foot of the Arc de Triomphe, the sea delivers its most appetizing treasures. A fine selection of seafood for the moment.

(Cochon Blanc de Reims 87)
Live lobsters
Menu 92 francs per person
Continuous service until 1 a.m. every day
Private room for business meals

In the Ile de la Jatte

La Ferme de la Jatte

Traditional cooking
Business meals
Terrace - garden

Reservations: 46 24 69 18
Closed Saturday and Sunday
195 bd BINEAU 92200 Neully/Seine

هكذمان التهل

IDEMEDIA'S CAMPAIGN PLAN

ASTONES throw away from the bustling Pont de Neuilly metro and close enough to hear the boats on the Seine, the offices of Idemedia are located on a peaceful suburban street lined with trees. But the calm outside belies the activity within. Idemedia is one of the hottest names in the French media world today. From its birth in 1980, the company has increased its turnover ten times and this year it will top two billion francs.

For a space-buying group, the last year has been one of enormous transition. Any company involved with the media has been affected by the increase in the number of TV channels from three to six, and the accompanying explosion of ad space. But Idemedia is used to rapid change.

In the space of seven years, the company has spun off eight satellite groups in Paris and established a network of five affiliates abroad. At the head of this dynamic group is its founder, Daniel Adam, former CEO of McCann Erickson in Paris, and a man with a deep knowledge and understanding of the French advertising world.

Idemedia's business is not one that the general public knows much about. In the trade it is often called block space-buying, although this catch-all phrase does not cover the extent of Idemedia's activities.

Block Buyers

The traditional block space buyer has a clientele of companies, all with substantial advertising budgets. His job is to buy space in the media, i.e. television, radio, press and billboards and to negotiate the lowest rates possible on behalf of the client. Because he buys more he gets it for less.

In the old days in France, the client paid 15 percent to the ad agency media department for this service. Today he often pays as little as 3 percent to a block space buyer.

Currently, 66 percent of all French media buying is done outside the ad agency's traditional structures. Idemedia, however, is a block buyer with a difference.

Nicolas Lebeuf, newly appointed president of the Idemedia "directoire" and Daniel Grojean, director general, are the first to admit that their company had the advantage of being a latecomer.

"We arrived on the scene when block-buying was already well established in France," says Mr. Lebeuf. He salutes the group, GGMM, led by Gilbert Gross who introduced the new concept in the sixties.

By 1980, Gilbert Gross was the unopposed volume leader. No one could beat the price discounts he offered. But Daniel Adam, assessing the situation, came to the conclusion that there was room for a new approach.

Media Planning

Major changes were taking place in the way media research was being done, thanks to new technology. Mr. Adam became convinced that the time was right to introduce a rival media buying service which would also incorporate the latest methods of media planning research.

Mr. Lebeuf explains: "Our argument was: what's the use of buying a page of advertising or a radio spot, no matter how cheap, unless you know what it's really worth?"

In other words, Idemedia introduced the notion of quality added to quantity. The company made its mark by offering competitive prices



Idemedia founder and head Daniel Adam.

linked to sophisticated media planning and analysis.

"It took three years to construct the first generation of software models," Daniel Grojean says. He fondly remembers the day not so long ago when media planning was a matter of pencils and paper. It also took time to educate new clients. First, Idemedia broke with tradition by analyzing the efficiency of media plans at the real price paid.

Their sales staff demonstrated that the optimum media plan was not the same when calculations were based on the discount price. Radio, for example, offers discounts up to 40 percent off the stated rate while television gives nothing. Meanwhile, competitors continued to work from rate card prices.

Targeted Campaigns

Idemedia also redefined the way campaigns were targeted. The old-fashioned identification might talk of housewives from 25 to 49, in top categories A and B, living in Paris and major towns with a population of 50,000. Idemedia showed how this could be refined. Thus for Baby Food, the potential buyer or target is the young mother with children between three months to one year. For Car Food, the ideal target is not the ordinary housewife but car owners.

Media plans from Idemedia concentrated on target identification. This was allied to the most recent analysis in lifestyle research. In 1984, they

were ready to establish a full-fledged media research center, baptized Credome (Centre de Reflexion, d'Etudes et de Documentation sur les Media). The Credome, headed by Alain Parodi, recruited a team of 30 people whose job was to perfect and update data banks for the entire group and to develop models for specific and original research.

Research Investment

With this major investment in research, Idemedia managed to attract an increasing number of clients from the ranks of the medium-sized companies. They also embarked on a policy of alliances with the non-aligned advertising agencies — those agencies who had not yet established block-buying facilities.

The list of affiliates today is an impressive one: Universal Media with McCann Erickson; Erude Creative Media with Groupe Chatelet; MIA with Agency DJW; Objectif Media with Gilbert Donat; Mediaplus with Agency Rhythme Alpha; Starmed with the Groupe Expand; O'Media with Agency Hautefeuille; and Mediapower International with Agency: CERP. Each agency has the benefit of the Idemedia research and know-how but retains a majority control of the affiliate.

Now that the newly created software for television research is in place, the Idemedia group looks forward to the future with a certain tranquility.

COMPUTER SEARCHES FOR SELECT AUDIENCE

SWEDEN still bans TV advertising totally; the Germans ban it on Sundays; the British BBC has never allowed it but might change its mind soon. Grudgingly, television in Europe is opening up to advertising, and of all the EEC countries, the French are now the most advanced along this highly regulated route.

American companies, accustomed to almost total liberty in buying space for TV commercials at home, are driven mad by European TV restrictions. They complain that the space available is never enough. Worse, the regulations, priorities and exceptional demands which change from country to country seem unnecessary and costly.

For example, the word "happiness" cannot be used in a French TV spot. Children cannot appear alone in many countries. Certain sectors like real estate or even margarine are arbitrarily banned to protect local interests.

One of the most mind-boggling demands is that media plans for TV must be drawn up in September and booked for the entire year to come, regardless of developments in ratings.

Advance Booking

In France the explosion of new TV channels has broken down old rules without making the new rules clear. TFI, the recently privatized channel, still requires advertisers to reserve space ahead but the timespan is down from one year to six months. The two government channels work on the old year format but they now ask advertisers to reserve all space by Minitel.

Currently, there are no less than four accepted audience rating groups in France. But none has yet emerged as the recognized standard. This makes audience ratings a great guessing game.

Software Plans

To counter the minefield of restrictions, old and new, Idemedia has gone back to its computers and come up with

a grand total of six software plans to help out the confused advertiser.

The following dialogue, devised to explain the situation to the hapless company ad director, goes a long way to illustrating the dilemma.

Q: We advertisers are concerned to get the best out of the TV time we buy. But it seems like an impossible dream.

A: Not at all. You give us the target and we give you the best combination media plan among the thousands possible, thanks to our software model, MYRIAM.

Q: I want to believe you but in fact we never seem to be able to buy the optimum. All these priority rules and incompatibilities (not being able to appear with similar products in the same group of spots). What's the use of a great theory that can't be applied?

A: Our model, MYRIAM, not only gives you the best plan but then it gives you, in order of merit, a list of alternatives for the time spots refused.

Standardized Polls

Q: But what's the basis of this plan? We don't yet have an accepted standard of audience measurement. Each poll contradicts the other.

A: It's true that each audience study has its advantages and disadvantages. We screen them all, take out the bugs and keep the best from each one. This provides us with our own unique data bank which we call DATA MIX TV.

Q: You mentioned that you were able to construct an optimum plan taking into account the rules and regulations. Have you found a method to reduce the number of time-spots refused?

A: Yes. Our software program, SIMUL TV, analyzes all the 140 products we currently handle for TV. It simulates the exact priority rank and incompatibilities which are used by the TV channels in their calculations. With 140 products we are able to make exchanges from among our own clients' spots and bring down the refusal rate.

Q: Heavens! 140 products!

How can you follow all those campaigns at the same time?

A: Thanks to our software, ECRAN TV, all the campaigns are entered on the computer, even to the last detail, including updates of changes. Suppose there is a strike on TFI Wednesday next. Within 10 seconds, the computer sorts out all the advertisers with a TV spot on that date. We can instantly make the necessary changes.

Audience Movements

Q: What worries me the most in TV is the unpredictability of audience movements. When you have to make a plan for October six months ahead of time, obviously you can't do the best job.

A: This is why we have LEVEL TV, software which follows changes in viewer's preferences. Beginning this year, we have tracked 1300 to 1400 spots on the six channels. By running this information through our software INPOWER TV, we can assess the performance of a campaign at any given moment.

Q: Yes, but you're talking about the past. I'm interested in the future.

A: Exactly. But we have also developed, with Public Media Service, a new tool for predicting audiences in two ways: TELESPOTS and TELEMETRE. We can change a campaign plan anytime up to eight days before, if audiences' predictions are not satisfactory.

Rating Points

Q: I see you're well prepared. I guess I can just follow along with my eyes shut.

A: No. Keep your eyes wide open. We give you the means to check up on our work thanks to MESUREX TV. This is a program for the advertiser to verify whether we have succeeded in improving his gross rating points with each campaign. You know whether we have brought down the costs and insured a greater productivity. Isn't this what you are looking for when it comes to TV advertising?

MAJOR EUROPEAN NETWORK

THE guru of globalism, Theodore Levitt of the Harvard Business School, hit the headlines in the early '80s with predictions that all business would soon go global. National barriers would come tumbling down as satellites went spinning up.

Like all gurus, Dr. Levitt was ahead of his time. Global business continues to run into practical problems like language barriers and conflicting customs and traditions. But the underlying trend is there, reinforced by the commitment of the EEC countries to create a single European market by 1992.

Integrated Market

"We know the day is coming when media buyers will treat Europe as one market," says Nicolas Lebeuf, President du Directoire of Idemedia. This is why the group is already positioned across Europe. So far, they have established majority-owned affiliates in six countries — France, Germany, Spain, England, Sweden and Switzerland. The genius of this pan-European organization is that Idemedia's partner in each country also occupies a leading position in the national market. It is a true association of Europe's top professionals in the business. The first Idemedia clients to take advantage of the new network were the U.S. multinational, Johnson Wax, and Bongrain, the French cheese group.

The fact that a French company is the driving force behind this European union is not a coincidence. A look at history shows that media buying in blocks actually originated in France back in the '60s. The biggest French advertiser, l'Oréal, showed the way by combining its huge advertising budgets in-house. This stripped its advertising agencies of all but the creative role. Savings on the usual 15 percent commissions were enormous.

Buying Power

Because all ad space is traditionally negotiable in France — with the notable exception of television — l'Oréal could buy radio spots and press space at a better rate than its confederates. Soon the giant Havas ad agency group followed suit and pooled its space buying power to give clients the



Nicolas Lebeuf, President du Directoire.

The explosion came in 1980 when Swedish advertisers and media worked out an agreement to cut space buying commissions from 15 percent to 3 percent. Overnight, agency media departments were wiped out. At 3 percent only huge specialized media companies can survive.

Idemedia's partner in Sweden is Marketing Gruppen, one of the largest and fastest growing groups in the country.

Bargaining

Media bargaining in both Italy and Spain is very similar to France. Spain, in particular, has proved a fertile field for affiliates of French companies. Idemedia, however, chose as its partner the pioneer of the independent movement in Spain, Media Planning, number one in the marketplace and owned by a powerful syndicate of banks and investment companies.

In England and Germany, media rates are traditionally non-negotiable. But with cut-throat competition between the press groups, times are changing. Media independents who used to work mainly by securing prime positions for clients are now beginning to negotiate price advantages as well.

In England, Chris Ingram & Associates (CIA), the Idemedia partner, is one of the best-known names in the country.

Pan-European Service

The German partner, Hiemstra Media Services (HMS), was responsible for introducing independent media buying to Germany. Its biggest client is none other than the Bundespost, the national post office. HMS has joined with Idemedia to start up a media buying group in Switzerland, where the business is still relatively small. In the next 10 years, Idemedia expects to see more and more advertisers buying Europe as one market. Satellite television will be out of its infancy. International media will take on added importance. At the same time, research and computerization in media buying will become increasingly expensive. Pooling the combined research facilities of the Idemedia partners will make it possible to provide the best pan-European service at the best possible price.

To date, Sweden is the only other country outside France where independents have won over 60 percent of the market.

BARTER: WATCH THIS SPACE

FLIP on the television in France today and you may get a glimpse of Alexis Carrington, alias Joan Collins, displaying her well-preserved charms on Dynastie. Zap through the channels to see JR Ewing, ever so implausible in dubbed French, betraying the long suffering Sue Ellen for the umpteenth time on Dallas. Dynastie and Dallas are unlikely crowd pleasers in the land of Charles de Gaulle. But who would believe the most popular program of them all this year — the golden oldie gameshow, the Wheel of Fortune?

The show has proved to be a goldmine for its sponsor, Unilever, the Dutch multinational. In return for bankrolling the production, Unilever gets free ads on the program wherever it is aired. In France today, the show guarantees Unilever a prime time slot for a bargain basement price.

New in Europe

This is a perfect example of what is known as barter TV — already flourishing in the U.S. but only just getting off the ground in Europe.

One of the first to move into the new slot is Idemedia. They recently set up a spin-off company called Mediaprogram, designed to offer a wide range of barter-inspired opportunities to clients.

Currently, the field is wide open. French television has expanded from three channels to six in the space of two years. The number of blocks

of ads has exploded from 250 to 1,300 per week.

Ads have multiplied to fill the void but there are simply not enough programs to go round. Hence the proliferation of American programs, some of them over 30 years old, like The Inouchables and Peter Gunn. New series and productions are in preparation but they are not yet completed. Other shows, hastily patched together, are not producing the hoped-for audience. But the biggest problem is money.

The cost of TV production is such that new ways of financing must be found. Barter is the natural extension of sponsoring, and comes in a number of variations. The advertiser can physically produce a program and incorporate his own ads. He then sells or gives away the "package" to the TV station, depending on how the two parties negotiate the deal.

Prizes for Time

On the other hand, the advertiser might ask to exchange his programs against ad time on another show. He may even sell these spots on to a third party. Another trend is to go back to basics. The advertiser pays for his ads with his own merchandise. The attractive prizes given away on game shows often originate as gifts from advertisers in exchange for time.

Laurent George, Mediaprogram director, explains that his group is currently following the work of nearly 100 TV producers, with a view to pur-



"And now for a word from our sponsors..."

ting the right client in liaison with the right project. "It is imperative that companies make an intelligent choice among all these productions," he says.

Mediaprogram helps the client make a decision by asking four basic questions: How many people will an advertiser reach through television and which is the best way to estimate? Who exactly will be reached, by zone and by category of client, knowing that the targets vary? What fall-out can the advertiser expect in other media? How will the operation affect the company's image? To answer these questions, Mediaprogram will work in liaison with Credome, the research arm of Idemedia.

Laurent George estimates that sponsoring and barter will represent between 5 and 10 percent of the French advertising market in 1988. "Producers need help to defray costs," he says. "And the TV channels are interested for the same reason. With barter, they don't need to buy a production and then wait to see if ads can finance it."

Quality Fiction

Studies show that the price of a series in France is estimated at 2 million francs per episode. Unless the show sells abroad, the investment cannot be recuperated in the French market alone. Barter is one solution but by no means the only one.

"Eventually we hope to produce our own quality fiction," says Mr. George, "but programs like this will never be financed entirely by barter. This is why we are looking for partners to co-finance. We feel that ambitious, prestige projects will appeal to banks and insurance companies, companies who need to project an image of quality and solidity."

Currently, the CNCL, the official control board in France, is working on new rules to regulate "barter" in France. But the battle at the European level appears already to have been lost. For with the progress of satellite television, it has become harder and harder to impose rules.

A GASTRONOMIC GUIDE

NEUILLY A LA CARTE

THE Defresne family bought Jarrasse (4 ave. de Madrid, tel.: 46.37.16.32) from its founder and eponym in 1980 and has continued to improve on its reputation as one of the area's best seafood restaurants. The most frequently ordered dishes at Jarrasse are the *bouillabaisse à la Marseillaise*, the *loup grillé au fenouil* and the *mille-feuilles au grand narmier* for dessert, which is made by the house baker and must be reserved because of its popularity.

As many as a dozen plats du jour — Jarrasse has one — depending on what the daily catch has brought to market. The *lotte au thym* and the *coquilles St. Jacques* are among the restaurant's most sought-after main dishes. With your fish, try the chilled *saumon champagne*, a popular red wine recommended by owner Louis Franza.

For traditional French fare served in a traditional French bistro, try La Boutarde (4 rue Bourard, tel.: 47.45.34.55), just half a block north on the rue Bourard. "People come to have a nice meal," Netto said, "but they're also attracted by the friendly ambiance that my team creates." Here you will find the *boeuf grillé*, *blanquette de veau*, *selle d'agneau* and the *faux-filet Dijonnaise* that are staples of French cooking.

Owner Françoise Netto recommends the tarama.

For regional French cuisine, cross the avenue Charles de Gaulle to the northeast side of Neuilly. Le Chambord (17 rue Paul Chabrouss, tel.: 47.47.73.17) specializes in game from Quercy, the region along the western foothills of the Massif Central where chef and owner Philippe Lempereur grew up. It is one of the few places in and around Paris where you can order a *canard au sang*. You'll also find pheasant and partridge and dove at Le Chambord. A fine list of hearty burgundies and bordeaux accompany the menu. Reservations are essential, for Le Chambord has only 60 seats and a large, loyal clientele.

The same is true at Carpe Diem (10 rue de l'Eglise, tel.:

46.24.95.01), a restaurant with only ten tables clustered in one simple salon. Chef and owner Serge Coquin offers game in season and fish dishes. "The style of the restaurant is a bit English," he said, "but the food is traditional French country cooking."

Six doors down on the same street, chef/owner Alain Albert oversees the operations at Le Manoir (4 rue de l'Eglise, tel.: 46.24.04.61) from behind a bank of stoves. Le Manoir offers a menu at 200 francs with wine included. "We provide our patrons with traditional French cooking," Albert said, "but because we have a lot of business people come here, we also try to keep our meals light."

Light is the last word in Madame Siegrist's vocabulary, the *patronne* at La Ferme de la Jatte on the Ile de la Grande Jatte (197 bd Bineau, tel.: 46.24.69.18). "We tried some of that lighter stuff," she said, "but we took it off the menu because we didn't like it." At La Ferme de la Jatte you will eat traditional dishes cooked with the care your grandmother would have taken had she been French. "We have a grill at lunch for 60 francs to accommodate the young secretaries who work around here but don't have the kind of money it takes to eat in a restaurant every day." The restaurant, which also has a 100-franc menu, has been in the family since 1945.

At the eastern end of the island, you'll find Le Petit Poucet (1 bd de Levallois prolongé, tel.: 47.58.61.85). The young and sporty like to

gather here because "the food is good, not too expensive, and we have the prettiest waitresses," owner Raphael De-

cinema set takes over. "We have a reputation for attracting a very *à la mode* clientele, but we're putting a lot of emphasis on our menu because we also want to be known as a good restaurant," said Luc Peyronnel, one of Café La Jatte's owners. The bold print on the menu will tell you that the cafe's pastries are made by Le Nôtre and that for 800

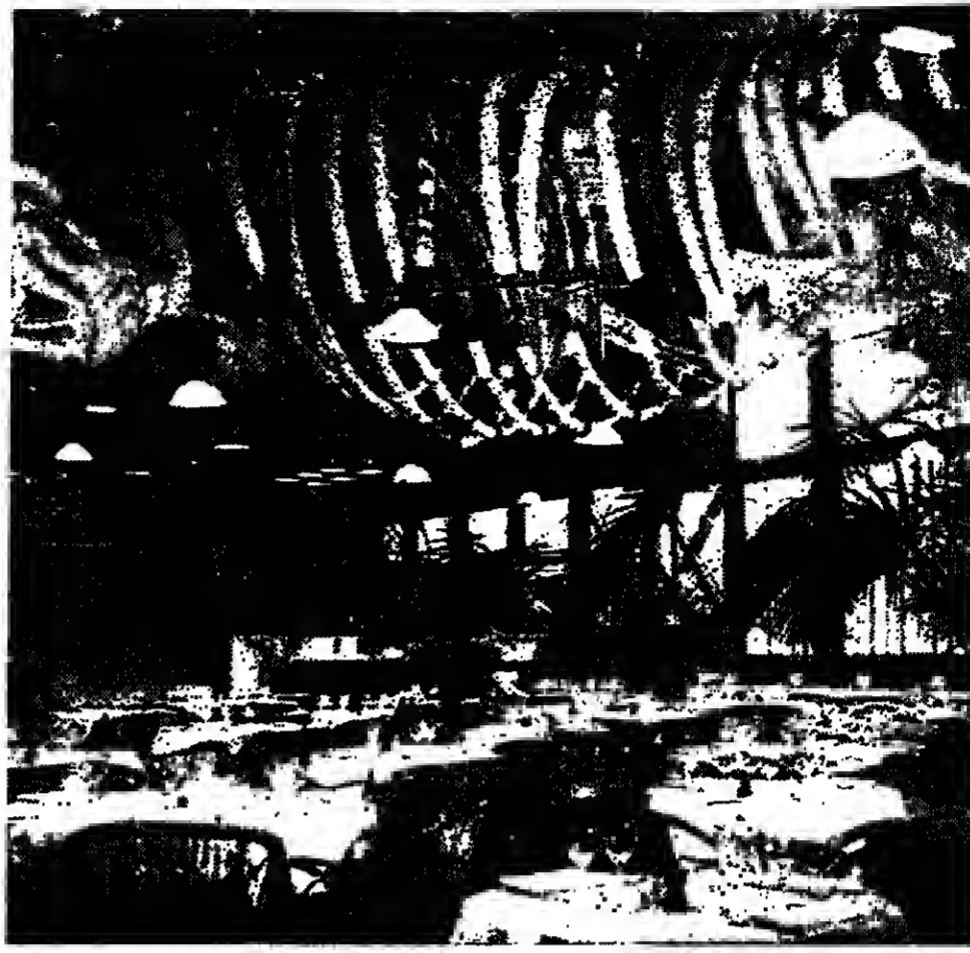
de bouchot and the *escalope de saumon aux petits légumes* were the most frequently recommended dishes. On the nights when Guivarch is in the mood, he'll sing and tell jokes. The Guinguette's intimacy and the joviality that Guivarch and his crew inspire make this the kind of place that the regulars want to keep a secret.

If you're in the mood for Italian food, Livio, at 6 rue de Longchamp (tel.: 46.24.81.32) about 100 yards southwest of the avenue Charles de Gaulle, has a menu that gives a fairly complete representation of Italian gastronomy. Anything that the restaurant doesn't provide can probably be made at home with ingredients bought at Livio's Italian food market next door. Transparent plastic ceiling panels in the back dining rooms give Livio's clients the impression of dining out of doors even in the winter. The 125-franc menu includes a drink. Livio is open every day of the week, so no craving for Italian cuisine need go unmet.

La Chevanchée (209 rue, ave. Charles de Gaulle, tel.: 46.24.07.87) is a French restaurant with a Spanish soul. If you order the typically French items on the menu, you will have missed out on the kind of food that has built a devoted following for La Chevanchée. The *paella valencienne* and the *zarzuela* (a Spanish *bofilla-bofilla*) are particular favorites of the owner, who comes from Aragon, the region around Barcelona. Their wine list includes many good bottles from the Rioja, such as the Marqués de Riscal and the Marqués de Murrieta. La Chevanchée also has a 125-franc menu, but the wine is not included.

Right in the middle of Neuilly, just to the left of the International Herald Tribune building, is Le Village (175 ave. Charles de Gaulle, tel.: 46.37.17.56). More than a favorite spot to unwind after a deadline, Le Village serves a variety of French dishes principally from the Auvergne in central France. Le Village, open every day of the year, features *confit de canard*, *pain de ramsteak au vinaigrette*, *salade du Périgord* (duck gizzards on a bed of *salade frisée*) and a special wine called Marçillac, from the *patron's* hometown of Aveyron.

—Aubéry de France



Café La Jatte, a restaurant to see and be seen in.

montremi said. Le Petit Poucet has a 90-franc menu and a wine list with only one "big" bottle on it. The average check comes to 160-170 francs per person.

The Ferraris parked in front of the Café La Jatte (60 bd Vital Bouhot, tel.: 47.45.04.20) — just a hop, skip and a jump from the Petit Poucet) don't belong to its patrons, they and the 75-foot-long, styrofoam plesiosaur hanging over the tables in the Café's warehouse space form part of the decor. At lunch, its 250 seats are occupied by advertising execs from the area. For dinner, the

francs you can order an Hermès table fireworks display.

La Guinguette de Neuilly (12 bd de Levallois, tel.: 46.24.25.04) is just a stone's throw from the front bumper of the Ferraris guarding the door at Café La Jatte, but at the other end of the restaurant spectrum in terms of decor and ambiance. "People come here to take it easy and have a good time," said owner and manager Christian Guivarch. According to La Guinguette's patrons, people also go there to eat well. The *bricole à la moelle et au beurre de porto*, the *tagliatelle aux moules*

L'île de la Grande Jatte offers more than just French restaurants. Chez Yan (217 bd Bineau, tel.: 46.24.02.38) produces Cantonese (as opposed to Szechuan, which is *spicier*) and Vietnamese dishes, such as *crevettes joyeux*, *caisses de grenouilles à la cantonaise* and *crabe farci*. In addition to seafood, the menu includes all the meat and chicken dishes that have become favorites to occidental palates. While waiting, Yan suggests tasting the Kuei Hua Chen Chien, an aperitif made of sorghum alcohol and flavored with bay leaves.

DRIVE-IN WITH A DIFFERENCE

NEUILLY has charted a new planet. Alain Papiernik and his crew from the Aviatric Club in the Marais are at the controls of Planet (6 rue du Commandant Pilot tel.: 46.40.08.88), the latest celestial body in the capital's culinary constellation.

Architects Patrice Dangel and Fabrice Angelo Santo, surely a match made in heaven, have transformed a '20s auction house and dance hall into a '90s American diner, or dinner hall as it's being called by the management. Aquamarine, pink and bleached green are the basic colors of this 600-square-foot, split-level idealization of the eatery that became part of the teenage vocabulary in America 30 years ago. swooping curves

and jutting angles recall the fins of classic Cadillac models. Nothing here was left to chance. The furnishings were chosen in Canada by a set designer for French film director Claude Lelouch. "People also want a show, a spectacle when they go out to eat," Papiernik said. "We're going to give them a good meal, but also the kind of decor that they'll remember three days after they've walked out the door."

Planet offers typical American food like T-bone steaks, bagels and chesseecake baked by the Marriott Hotel chain's pastry chef. You can also find more exotic regional dishes on the menu, such as grilled salmon in honey and cajun steak tartar. The bar mixes, from an inexhaustible list of

drinks, any one of a rainbow assortment of fresh fruit cocktails with or without booze. Brunch, however, is not the usual pancakes and bacon à l'américaine because, according to Papiernik, "every place in Paris does that." Planet promises an English Sunday brunch with scones and eggs benedict.

Should you wish to work up an appetite, drop downstairs to the driving range and grab a club. The miniature range came with the space when the people from Planet bought it. They decided to keep it and make it a part of the restaurant, a wise choice considering the increasing popularity of golf in France.

The drive-in diner opens at 10 in the morning and closes at 2 the following day. Your meal won't be rushed out to you by a waitress on roller skates, but you can drop your keys off with a Planet valet and have him solve the parking problem for you.

Planet seats 100 in the main dining room and the balcony, but if you can't find a table immediately, pull up to the 14-meter-long bar while you wait, there's sure to be room: A mosaic of blue glass fragments imported from Italy decorates the bar, and the standing area in front of it is a raised platform in a wave pattern. You no longer need to roll your eyes toward the sky the next time someone suggests eating in one of the same old places. Reset your gastronomic coordinates on Planet and take off for Neuilly.

—Aubéry de France

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ECONOMIC SCENE

Facing Up to the Reality Of the Record Trade Gap

By LEONARD SILK New York Times Service

NEW YORK — The White House tried to put the best face possible on the newly released trade data for October, suggesting that it should not pay too much attention to numbers that probably would be revised later.

But, alas, it was so, and it is so, give or take a few dollars. October's \$17.6 billion deficit appears to be the biggest monthly trade deficit on record.

For the first 10 months of 1987 the trade gap ran at an annual rate of \$17.5 billion, well above last year's \$15.2 billion.

The news knocked the dollar down to postwar lows Thursday, 1.6325 against the Deutsche mark and 129.00 against the Japanese yen.

"Much of our economic headache stems from the monstrous decline of the dollar," said Albert M. Wojnilower, the chief economist of First Boston Corp., before the figures were issued.

Disappointing trade statistics for August helped trigger the stock decline in mid-October, leading to the Dow's 508-point plunge on Oct. 19.

MR. WOJNIIOWER contends that the trade deficit and the burden it puts on securities markets "can be alleviated only by curtailing our domestic resource use."

"To force us to reduce our domestic demand, and thereby our trade deficit, we are going to have to become poorer," Mr. Wojnilower said.

The task of bringing down domestic consumption and the trade deficit will be achieved one way or another, like it or not.

The falling dollar and securities markets are one way, so far, he says, their combined effect in curbing domestic demand has been relatively minor.

Other paths to the "unavoidable impoverishment" of America, he says, are to reduce our domestic demand, and thereby our trade deficit, we are going to have to become poorer.

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Producer Prices In U.S. Steady, Retail Sales Up

November Data Good News For Markets, Analysts Say

Compiled by Our Staff From Dispatches

WASHINGTON — The Producer Price Index, usually the harbinger of future U.S. consumer prices, was unchanged from October to November, while retail sales rose a modest 0.2 percent, the government reported Friday.

The report by the Labor Department on wholesale prices, as measured by the price index, suggested that inflation would continue to be moderate.

The encouraging report on prices was expected to be good news for the financial markets as they tried to recover from a battering Thursday after the record U.S. trade deficit for October was announced.

The Commerce Department's report on retail sales indicated that the Christmas selling season was off to a slow start, but economists said the report was the clearest indication yet that consumers had not cut their spending, drastically immediately after October's stock market collapse.

The weakest sales were in the automotive and furniture sectors, the department said. If cars were excluded, total retail sales rose 0.4 percent in November, the government said.

The rise in retail sales and the unchanged producer price figure "show we are in a oo-boom, no-boom economy," an analyst said.

Modest increases in food prices were offset by declines in energy goods prices, which fell for the third consecutive month, the Labor Department said.

Wholesale consumer food prices rose 0.3 percent during the month, but that gain was offset by a 0.2 percent drop in all other consumer products, the government said.

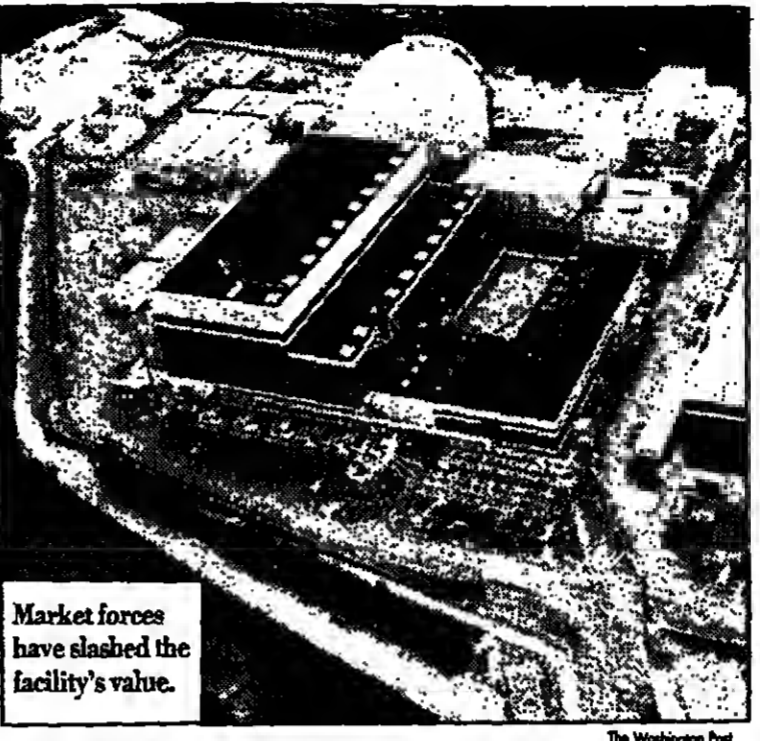
Prices of finished durable consumer goods — those expected to last three or more years — fell for the second consecutive month, dropping 0.1 percent.

The government index has not climbed more than 0.3 percent on a month-to-month basis since April, when it climbed 0.5 percent.

Advance estimates of retail sales were \$125.9 billion compared with a revised \$125.6 billion in October, when sales fell 0.9 percent.

See ECONOMY, Page 19

Not Unless Oil Goes to \$130 Will This Plant Make Sense



Aerial view of the Seabrook nuclear power plant in New Hampshire.

By Matthew L. Wald New York Times Service

BOSTON — When the Seabrook nuclear power plant was conceived, it was intended to be competitive with oil at \$12 a barrel.

Now that Seabrook is finished, it could still save consumers money — if oil were to rise above an improbable \$130 a barrel.

The calculation comes from a prominent energy analyst not connected with Public Service Co. of New Hampshire, Seabrook's biggest owner.

A similar conclusion is implicit in the strategy of creditors planning to carve up the nearly bankrupt utility. They have put the plant very low on the list of the assets they want to inherit.

Indeed, the New Hampshire project stands as a monument to how inefficient construction of nuclear power plants can become.

One of the few nuclear plants that would displace oil — as opposed to coal, the prime fuel for making electricity in the United States — Seabrook was supposed to cost \$1 billion, for a twin-reactor plant, and be competitive with oil at \$12 a barrel.

Now Seabrook's price exceeds \$5 billion, for a single reactor.

As oil rose to \$34 a barrel, the early cost overruns seemed forgivable. But now Seabrook's value has been severely diminished by the realization that market forces will not allow oil to stay in that range, at least not soon.

The Seabrook plant, conceived in the early 1970s, was delayed for years by construction problems and political and environmental opposition. It is now complete but not yet licensed, mainly because of the high cost.

See SEABROOK, Page 19

Arco Buys Stake In Britoil in Bid To Head Off BP

By Warren Getler International Herald Tribune

LONDON — Atlantic Richfield Co. moved Friday to take a substantial minority interest in Britoil PLC to help the smaller oil company protect itself from British Petroleum Co.

Arco announced late Friday after the close of trading here that it had acquired 7.7 percent of Britoil at 330 pence per share in a purchase worth \$135 million (\$247 million).

Analysts said Elf would have to sweeten its offer, following a statement by Tricentrol's board that it had urged shareholders to take no action on the bid.

The analysts noted, however, that the government would be hard-pressed to disallow Elf's bid since Elf has been a committed investor in North Sea oil and gas operations for decades and is a European Community company.

"Tricentrol has long been considered a takeover target," a London oil analyst said.

Earlier this week, British Petroleum, the world's third-largest oil company, bought 14.9 percent of Britoil. On Friday, following the Arco announcement, British Petroleum said it planned to buy more shares in Britoil at prices above 350 pence in a drive to take its total holding to 29.9 percent.

In another development, Britoil said it had been informed by the British government's panel on takeovers that Arco "has been asked by the panel, and has agreed" not to purchase Britoil shares until "outstanding matters are resolved."

A spokesman for the panel declined to elaborate, but said a clarifying statement would be issued soon.

Earlier, France's state-owned oil group Societe Nationale Elf Aquitaine said it had made a \$134.7 million (\$240 million) cash offer for Tricentrol PLC, which has extensive North Sea oil and gas resources.

Britoil, in which the government maintains a so-called golden share that enables it to veto any unwanted takeover bid, accounts for 7 percent of North Sea oil production, compared to 20 percent for British Petroleum. It produces about 60 million barrels of crude a year.

Britoil shares, soaring from Thursday's close of 294 pence, were quoted at 352 pence late Friday.

The deal with Arco "is clearly a shut-out move aimed at excluding British Petroleum and leaving Britoil independent, but with a 49.9 percent shareholder," said David Gray, an oil analyst with James Capel & Co.

"This is obviously a very rapidly arranged agreement, one secured more in principle than in detail. The question now is what will BP do?"

The agreement, according to a statement by Arco, involves Britoil's acquiring all or most of Arco's oil and gas assets outside North America in exchange for the issue of an undetermined number of Britoil shares, leaving Arco with a maximum 49.9 percent of the enlarged Britoil equity.

Peter Nichol, an oil analyst with Chase Manhattan Securities in London, said, "This play by Arco is interesting politically. That Britoil has turned to an American company to fight off BP runs against the original logic of the golden share, which was to prevent foreign domination of North Sea assets."

Mr. Nichol said the flurry of activity in the shares of leading British oil and gas exploration companies this week reflects a strengthening perception in the industry that it's cheaper buying oil in the ground through outright acquisitions than going out exploring for oil on your own.

Elf, France's largest company, announced its cash offer of 145 pence per share for Tricentrol after

be spread across the eight-year period. The coal industry currently employs about 160,000 people.

Mr. Bangemann, a centrist Free Democrat at the forefront of efforts to scale back state subsidies to declining heavy industries, said the production rollback "was occasioned by declining deliveries."

Computer Fault Blamed For U.K. Inflation Error

Compiled by Our Staff From Dispatches

LONDON — A computer programming error has led to Britain's annual inflation rate being understated by up to 0.1 percent in monthly reports since February 1986, the Department of Employment said Friday.

It reported that retail prices rose at an annual rate of 4.1 percent in November, compared with the 4.2 percent yearly rate reported in October.

But the discovery of the computer error prevented the scheduled release Friday of the price index, the department said. It said a revised breakdown would be released sometime next week.

Employment Secretary Norman Fowler hailed November's annual inflation rate as a "welcome drop" in inflationary pressure from October. But he added that while the figure for November was correct, the rate for October was a slight underestimate.

Some government benefits are linked to the inflation rate and increased annually. Unofficial estimates put the British government's savings because of the mistake at about £100 million (about \$183 million).

That would mean that the 9.5 million in Britain drawing retirement pensions, the largest group affected, could expect a windfall payment of £5 to £10 each, economists said.

The department said the programming error had been rectified, but that it had not been possible in the time available to calculate figures for the many detailed components of the price index.

Mr. Fowler said that from February 1986 until January 1987, there was a regular understatement of about 0.05 percent in each monthly change in prices relative to the base month, which was January 1986.

The index was this year rebased to January 1987. From February 1987, as the faulty program was applied to a wider range of items, the understatement relative to January 1987 was about 0.09 percent.

The department said that 130,000 prices are collected each month and analyzed in a complex set of calculations. The index has been calculated by computer methods since February 1986.

Monitoring of the system revealed that the programming mistake originally was made in 1985, in detailed calculations for certain items, the department said.



The Associated Press

OPEC DISPUTE — Iran's oil minister, Gholam Reza Aghazadeh, at the cartel's Vienna meeting. OPEC put off a full session until Saturday to allow discussion of the dispute between Iran and other members on pricing and output.

Oil, Aerospace Converge In Uses of Technology

An Offshore Rig as a Rocket Launcher

HOUSTON — The oil business has hit on what looks like a lucrative sideline in selling the technology it developed to drill in the seabed to the aerospace industry.

Robotic vehicles, self-propelled diving suits and drilling tools used some 2,000 feet (660 meters) underwater can be converted for use by the U.S. space program, experts say.

Modified offshore rigs may even be used to launch a new generation of rockets.

The extra sales could help some oil field companies survive in an era of weaker oil prices and fewer drilling projects.

"There are more similarities between subsea oil drilling and aerospace projects than differences," said Dick Frisbie, president of the engineering subsidiary of Ocean Energy International Inc.

The Houston-based company is a leader in developing remotely operated vehicles and self-propelled diving suits.

Taiwan Dollar Obeys as U.S. Tries to Tame Trading Tigers

HONG KONG — Reopened U.S. charges of unfair trade practices against Asia's four trading tigers — South Korea, Taiwan, Hong Kong and Singapore — produced movement by one of the most ferocious on Friday.

In Taiwan, the local dollar posted a record 9 cent rise to 29.02 against the U.S. currency as the central bank halted intervention.

"The central bank has clearly been given a message it can't ignore," one Taiwanese banker said.

The central bank was changing course after purchasing about \$3 billion in U.S. dollars over three days to slow the Taiwan dollar's ascent.

The United States has accused the four newly industrialized countries of contributing to the slow turnaround in the U.S. trade deficit by not letting their currencies appreciate rapidly enough.

Commerce Secretary C. William Verity said on Thursday after announcement of the record U.S. October trade deficit of \$17.63 billion. "The failure of those countries to permit the exchange rate of their currencies to appreciate is a major cause of the problem."

He echoed charges by David C. Mulford, an assistant U.S. Treasury secretary, who in November accused the four of being "strong, ferocious traders" — and particularly criticized Taiwan and South Korea.

David Mendick, Hong Kong's monetary affairs secretary, said, "We certainly are not changing the link" of 7.80 Hong Kong dollars to the U.S. dollar regardless of any pressure from the outside.

Singapore's finance minister, Richard Hu, recently said, "There is little truth in the notion that Singapore has maintained an undervalued exchange rate."

Currency Rates

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Germany to Cut Coal Output

BONN — West Germany's troubled coal industry plans annual production cuts of up to 18 percent with a loss of about 30,000 jobs by 1995 under an agreement reached Friday by government, industry and union representatives.

Economics Minister Martin Bangemann, who led the government delegation in the latest round of talks on restructuring the industry, said that coal output would be reduced by between 13 million and 15 million tons.

"This means a reduction of about 30,000 jobs. Those out of work will be protected by social security," Mr. Bangemann said.

He said the job reductions would be spread across the eight-year period.

The coal industry currently employs about 160,000 people.

Mr. Bangemann, a centrist Free Democrat at the forefront of efforts to scale back state subsidies to declining heavy industries, said the production rollback "was occasioned by declining deliveries."

Taking part in the talks were representatives of two coal-producing states, North Rhine-Westphalia and Saarland; the industry's union, Bergbau und Energie; and the employers' association.

High Tacky Those cabbage Patch dolls that shoppers were fighting for a few Christmas days ago are back with robotic faces and chips that communicate so that two of them will talk and sing to each other.

The stock is trading at 12 cents per dollar of sales — down from \$25 to \$45 because investors fear the crash will hurt by sales. Write, phone or tele for complimentary reports on such bargains.

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Arta Palen in Wall Street 43, Tarrytown, N.Y. 10591. Telephone 914-238-9900. Telex 79422.

Weekly net asset value Tokyo Pacific Holdings N.V. on 7-12-1987 US \$172.01

Securities 65% Liquidity 35% Listed on the Amsterdam Stock Exchange

Person, Holdings & Person N.V. Hengensch 214, 1016 BS Amsterdam. Tel. +31-20-21188.

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\$ Loans \$ Letters of Credit \$ Guarantees \$ Equity Participation

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10000 TRUSTWAY, Suite 1000, Dallas, Texas 75241. Telephone: 214-343-2277. Telex: 254. E-mail: jmc@trustray.com

Arta Palen in Wall Street 43, Tarrytown, N.Y. 10591. Telephone 914-238-9900. Telex 79422.

Symbol	Vol.	High	Low	Last	Chg.
USFC	11480	11 1/2	11 1/8	11 1/8	+1/8
Procter	10200	24 1/4	24 1/8	24 1/8	+1/8
YITeco	9500	17 1/4	17 1/8	17 1/8	+1/8
AM Int	8200	17 1/4	17 1/8	17 1/8	+1/8
AMER	7800	17 1/4	17 1/8	17 1/8	+1/8
AMER	7800	17 1/4	17 1/8	17 1/8	+1/8
AMER	7800	17 1/4	17 1/8	17 1/8	+1/8
AMER	7800	17 1/4	17 1/8	17 1/8	+1/8
AMER	7800	17 1/4	17 1/8	17 1/8	+1/8
AMER	7800	17 1/4	17 1/8	17 1/8	+1/8

NYSE 4 p.m. volume	NYSE adv. volume	NYSE 4 p.m. volume	NYSE adv. volume
17,488,000	17,488,000	17,488,000	17,488,000
17,488,000	17,488,000	17,488,000	17,488,000
17,488,000	17,488,000	17,488,000	17,488,000
17,488,000	17,488,000	17,488,000	17,488,000

High	Low	Close	Chg.
121.94	121.65	121.79	+0.17
121.94	121.65	121.79	+0.17
121.94	121.65	121.79	+0.17
121.94	121.65	121.79	+0.17

Friday's NYSE Closing
Via The Associated Press

Symbol	Close	Prev.
Advanced	1.33	1.31
Declined	1.33	1.31
Unchanged	1.33	1.31
Total Issues	1.33	1.31

Close	Chg.	Week Ago	Year Ago
222.40	+1.26	220.22	220.22
222.40	+1.26	220.22	220.22
222.40	+1.26	220.22	220.22

Symbol	Vol.	High	Low	Last	Chg.
Ech	375	20 1/4	20 1/8	20 1/8	+1/8
Wol	375	20 1/4	20 1/8	20 1/8	+1/8
Wol	375	20 1/4	20 1/8	20 1/8	+1/8
Wol	375	20 1/4	20 1/8	20 1/8	+1/8

Symbol	Close	Chg.
Bonds	82.41	+0.02
Utilities	82.41	+0.02
Industrials	82.41	+0.02

Symbol	Close	Prev.
Advanced	1.33	1.31
Declined	1.33	1.31
Unchanged	1.33	1.31
Total Issues	1.33	1.31

Dec. 10	Buy	Sales	Net
22,000	57,392	2,381	55,011
22,000	57,392	2,381	55,011
22,000	57,392	2,381	55,011

Open	High	Low	Last	Chg.
121.79	122.21	121.65	121.79	+0.17
121.79	122.21	121.65	121.79	+0.17
121.79	122.21	121.65	121.79	+0.17

Symbol	High	Low	Close	Chg.
Industrials	271.24	270.12	270.72	+1.12
Utilities	102.24	102.12	102.12	+0.12
Finance	102.24	102.12	102.12	+0.12

Symbol	Close	Prev.
Advanced	1.33	1.31
Declined	1.33	1.31
Unchanged	1.33	1.31
Total Issues	1.33	1.31

High	Low	Close	Chg.
242.07	240.80	242.72	+1.42
242.07	240.80	242.72	+1.42
242.07	240.80	242.72	+1.42

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month High	Low	Stock	Div.	Yld.	PE	52 Wk High	Low	Close	Chg.
110	100	AA	1.00	4.00	15	110	100	105	+5
110	100	AA	1.00	4.00	15	110	100	105	+5
110	100	AA	1.00	4.00	15	110	100	105	+5

NYSE Up in Moderate Trading

NEW YORK — Prices on the New York Stock Exchange posted small gains Friday in moderate trading after a late rally ended a directionless day and brought the week to a close on a modestly cheerful note.

The Dow Jones industrial average, which fell 47.08 Thursday, gained back 11.60 points Friday to end at 1,867.04.

The blue-chip index had been ahead more than 30 points during the morning and was up by more than 10 as late as noon. It then spent most of the afternoon hovering around the break-even point before moving up in the final hour of trading.

For the week the Dow gained 100.30 points, or 5.7 percent.

Advances led declines Friday by a 13-12 ratio. Volume was about 151 million shares, down from 189 million Thursday.

Broad-market indexes rose. The New York Stock Exchange index gained 0.72 to 131.79. The price of an average share gained 16 cents.

Traders and analysts said Friday's directionless trading reflected uncertainty throughout the market.

"It's drifting toward stability after losses" on Thursday, said Chester Pado, director of technical research with Jefferies & Co. in Los Angeles.

"This market has a mind of its own," said Tom Gallagher, managing director in charge of capital commitment at Oppenheimer & Co.

"A lot of traders are extremely nervous," he said. "Once a rally stops they quickly sell, and then when the decline stops they step back in to buy. Anybody that says they can predict what this market will do is crazy."

Trude Latimer of Josephthal & Co. said she was encouraged by the market's advance in the face of lower stock prices overseas and contin-

12 Month High	Low	Stock	Div.	Yld.	PE	52 Wk High	Low	Close	Chg.
110	100	AA	1.00	4.00	15	110	100	105	+5
110	100	AA	1.00	4.00	15	110	100	105	+5
110	100	AA	1.00	4.00	15	110	100	105	+5

12 Month High	Low	Stock	Div.	Yld.	PE	52 Wk High	Low	Close	Chg.
110	100	AA	1.00	4.00	15	110	100	105	+5
110	100	AA	1.00	4.00	15	110	100	105	+5
110	100	AA	1.00	4.00	15	110	100	105	+5

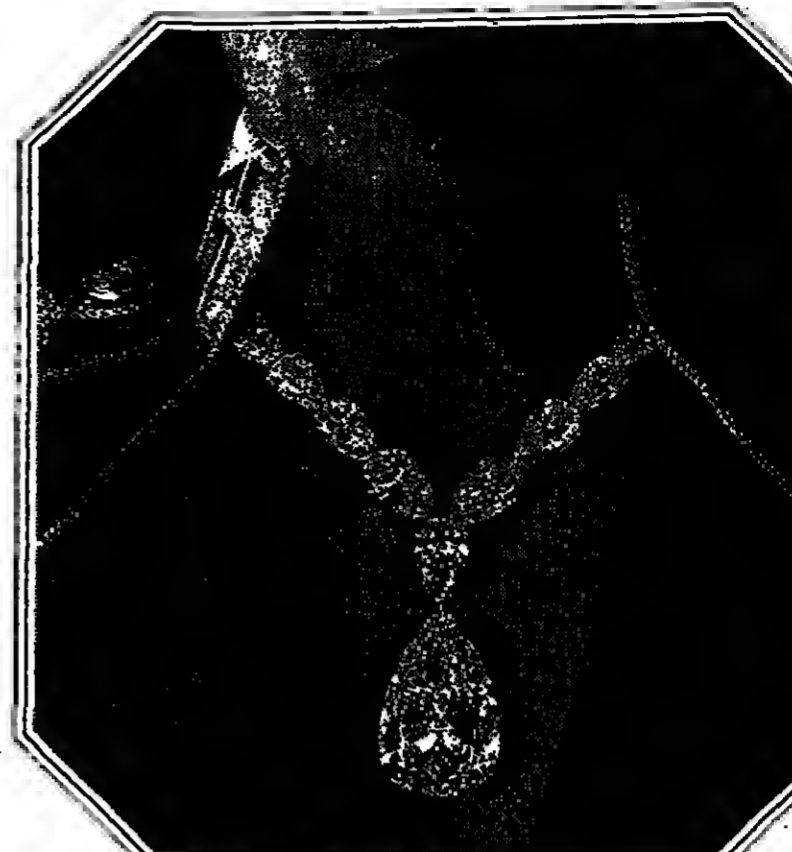
12 Month High	Low	Stock	Div.	Yld.	PE	52 Wk High	Low	Close	Chg.
110	100	AA	1.00	4.00	15	110	100	105	+5
110	100	AA	1.00	4.00	15	110	100	105	+5
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WISHING YOU A 'BLUE WHITE' CHRISTMAS
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CAPTURE HER HEART THIS CHRISTMAS WITH A RARE GEM
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AND WORLDWIDE BY APPOINTMENT

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110	100	AA	1.00	4.00	15	110	100	105	+5
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(Continued on next page)

مکانم التحوّل

Friday's NYSE Closing

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Table with columns: Symbol, High, Low, Open, Close, Change. Lists various stocks like AMEX, NYSE, and others.

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BUSINESS ROUNDUP

Sears PLC Makes Bid for Freemans

LONDON — Sears PLC, the British retail stores group, said Friday it was offering £430 million (about \$788 million) in cash for Freemans PLC, a mail order group.

Hill Samuel To Sell Wood Mackenzie To NatWest

LONDON — County NatWest Securities Ltd., the investment banking unit of National Westminster Bank PLC, said Friday it would buy the stockbrokerage Wood, Mackenzie & Co. from Hill Samuel Group PLC for an undisclosed sum.

\$2.5 Billion in Dalkon Cases

RICHMOND, Virginia — Judge Robert Meriige Jr. ordered Friday a \$2.5 billion settlement for A.H. Robins Co. to settle claims filed by women who said they were injured by the Dalkon Shield contraceptive device.

BMW Sets Up Special Division To Invest in Technology Firms

MUNICH — Bayerische Motoren Werke AG is diversifying by buying into technology firms and has set up a special division responsible for the purchases, a company spokesman said Friday.

GM, Toyota to Produce Jointly in Australia

MELBOURNE — General Motors Corp. of the United States and Toyota Motor Corp. of Japan, the world's largest automakers and fierce competitors, said Friday they would join forces in Australia.

SAS is Upheld on BCal Bid

LONDON — Britain's Civil Aviation Authority said Friday it had approved the partial offer by Scandinavian Airline System for a 26 percent stake in British Caledonian Group PLC.

ECONOMY: U.S. Index Steady

(Continued from first finance page) Total sales in the September-October period this year decreased 0.1 percent from the previous three months, the department said.

Stockholm Exchange Seeks Lifting of Tax for Foreigners

By Juris Kaza Special to the Herald Tribune STOCKHOLM — The board of the Stockholm Stock Exchange unanimously urged the government Friday to exempt foreign investors from a 1 percent transaction tax on share trading in Stockholm.

SEABROOK: Project Shows How Inefficient Nuclear Plant Outlays Can Be

(Continued from first finance page) Commission recently changed its rules to accommodate reactors whose neighbors are seeking a veto over operations.

Japan Firm Cuts Wire Service Fees

Agency France-Press TOKYO — Kokusai Den-shin Denwa Co. said Friday it would cut international wire service rates by an average of 22 percent next month.

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Eberhard von Kuenheim

AG, a French computer concern. Mr. Kuenheim said that in the short term, BMW was interested in auto technology and, in the long term, in the possible development and marketing of special products.

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SAFIRE IN THE BT EVERY MONDAY IN DEFENSE OF THE ENGLISH LANGUAGE AND ITS PROPER USAGE

U.S. Futures

Table of U.S. Futures prices for Grains (Wheat, Corn, Soybean Meal, Soybean Oil, Soybean Meal CBOT, Soybean Oil CBOT) and Livestock (Cattle, Hogs, Pork Bellies, Bacon, Lard, Live Hogs, Live Cattle).

Table of U.S. Futures prices for Food (Coffee C (NYMEX), Coffee C (ICE), Sugar World 11 (NYMEX), Sugar World 11 (ICE), Cocoa (NYMEX), Orange Juice (NYMEX), Grapefruit Juice (NYMEX), Apples (NYMEX), Raisins (NYMEX), Walnuts (NYMEX), Pecans (NYMEX), Almonds (NYMEX), Cashew Nuts (NYMEX), Brazil Nuts (NYMEX), Pistachios (NYMEX), Sunflower Seeds (NYMEX), Soybean Meal (NYMEX), Soybean Oil (NYMEX), Soybean Meal CBOT, Soybean Oil CBOT).

Table of U.S. Futures prices for Metals (Copper (COMEX), Aluminum (COMEX), Silver (COMEX), Gold (COMEX), Platinum (NYMEX), Palladium (NYMEX), Nickel (COMEX), Zinc (COMEX), Lead (COMEX), Tin (COMEX), Uranium (COMEX), Molybdenum (COMEX), Vanadium (COMEX), Cobalt (COMEX), Niobium (COMEX), Tantalum (COMEX), Zirconium (COMEX), Hafnium (COMEX), Rhenium (COMEX), Ruthenium (COMEX), Rhodium (COMEX), Iridium (COMEX), Osmium (COMEX), Platinum (COMEX), Palladium (COMEX), Nickel (COMEX), Zinc (COMEX), Lead (COMEX), Tin (COMEX), Uranium (COMEX), Molybdenum (COMEX), Vanadium (COMEX), Cobalt (COMEX), Niobium (COMEX), Tantalum (COMEX), Zirconium (COMEX), Hafnium (COMEX), Rhenium (COMEX), Ruthenium (COMEX), Rhodium (COMEX), Iridium (COMEX), Osmium (COMEX)).

Table of U.S. Futures prices for Industrials (Lumber (CME), Softwood Lumber (CME), Hardwood Lumber (CME), Plywood (CME), Gypsum (CME), Cement (CME), Steel (CME), Aluminum (CME), Copper (CME), Silver (CME), Gold (CME), Platinum (CME), Palladium (CME), Nickel (CME), Zinc (CME), Lead (CME), Tin (CME), Uranium (CME), Molybdenum (CME), Vanadium (CME), Cobalt (CME), Niobium (CME), Tantalum (CME), Zirconium (CME), Hafnium (CME), Rhenium (CME), Ruthenium (CME), Rhodium (CME), Iridium (CME), Osmium (CME)).

Table of U.S. Futures prices for Stock Indexes (S&P 500, Dow Jones, NYSE, NASDAQ, Russell 2000, Nikkei 225, Hang Seng, HSI, Nikkei 500, Nikkei 1000, Nikkei 1500, Nikkei 2000, Nikkei 2500, Nikkei 3000, Nikkei 3500, Nikkei 4000, Nikkei 4500, Nikkei 5000, Nikkei 5500, Nikkei 6000, Nikkei 6500, Nikkei 7000, Nikkei 7500, Nikkei 8000, Nikkei 8500, Nikkei 9000, Nikkei 9500, Nikkei 10000).

Table of U.S. Futures prices for Commodity Indexes (Crude Oil (NYMEX), Natural Gas (NYMEX), Heating Oil (NYMEX), Gasoline (NYMEX), Ethanol (NYMEX), Biodiesel (NYMEX), Coal (NYMEX), Lignite (NYMEX), Wood (NYMEX), Paper (NYMEX), Textiles (NYMEX), Leather (NYMEX), Rubber (NYMEX), Glass (NYMEX), Brick (NYMEX), Cement (NYMEX), Steel (NYMEX), Aluminum (NYMEX), Copper (NYMEX), Silver (NYMEX), Gold (NYMEX), Platinum (NYMEX), Palladium (NYMEX), Nickel (NYMEX), Zinc (NYMEX), Lead (NYMEX), Tin (NYMEX), Uranium (NYMEX), Molybdenum (NYMEX), Vanadium (NYMEX), Cobalt (NYMEX), Niobium (NYMEX), Tantalum (NYMEX), Zirconium (NYMEX), Hafnium (NYMEX), Rhenium (NYMEX), Ruthenium (NYMEX), Rhodium (NYMEX), Iridium (NYMEX), Osmium (NYMEX)).

Currency Options

Table of Currency Options prices for various currencies including British Pounds, Swiss Francs, West German Marks, Japanese Yen, and West German Francs.

Financial

Table of Financial data including U.S. Treasury Bills (90-day, 180-day, 270-day, 360-day), U.S. Treasury Notes (2-year, 3-year, 5-year, 7-year, 10-year), U.S. Treasury Bonds (30-year), and various interest rates.

Stock Indexes

Table of Stock Indexes prices for S&P 500, Dow Jones, NYSE, NASDAQ, Russell 2000, Nikkei 225, Hang Seng, HSI, Nikkei 500, Nikkei 1000, Nikkei 1500, Nikkei 2000, Nikkei 2500, Nikkei 3000, Nikkei 3500, Nikkei 4000, Nikkei 4500, Nikkei 5000, Nikkei 5500, Nikkei 6000, Nikkei 6500, Nikkei 7000, Nikkei 7500, Nikkei 8000, Nikkei 8500, Nikkei 9000, Nikkei 9500, Nikkei 10000.

Commodity Indexes

Table of Commodity Indexes prices for Crude Oil, Natural Gas, Heating Oil, Gasoline, Ethanol, Biodiesel, Coal, Lignite, Wood, Paper, Textiles, Leather, Rubber, Glass, Brick, Cement, Steel, Aluminum, Copper, Silver, Gold, Platinum, Palladium, Nickel, Zinc, Lead, Tin, Uranium, Molybdenum, Vanadium, Cobalt, Niobium, Tantalum, Zirconium, Hafnium, Rhenium, Ruthenium, Rhodium, Iridium, Osmium.

Paris Commodities

Table of Paris Commodities prices for SUGAR, COCOA, COFFEE, GASOLINE, COPPER CATHODES, COPPER CATHODES (Standard), NICKEL, SILVER, and ZINC.

London Commodities

Table of London Commodities prices for SUGAR, COCOA, COFFEE, GASOLINE, COPPER CATHODES, COPPER CATHODES (Standard), NICKEL, SILVER, and ZINC.

Dividends

Table of Dividends for various companies including Am Income Prop, Vermon Finl Svs, Cape Cod Bank & Tr, Health & Rehab Prp, Oakshut Truck & P, Phoenix Corp.

Spot Commodities

Table of Spot Commodities prices for Aluminum, Coffee, Cocoa, Copper, Gold, Nickel, Silver, Tin, Zinc, Uranium, Molybdenum, Vanadium, Cobalt, Niobium, Tantalum, Zirconium, Hafnium, Rhenium, Ruthenium, Rhodium, Iridium, Osmium.

U.S. Treasuries

Table of U.S. Treasuries prices for 3-month bill, 6-month bill, 9-month bill, 1-year bill, 2-year note, 3-year note, 5-year note, 7-year note, 10-year note, 30-year bond.

To Our Readers

Deutsche mark futures option prices were not available in the edition because of transmission delays.

Sales of VWs Increase in Europe, Fall in U.S.

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London Metals

Table of London Metals prices for ALUMINUM, COPPER CATHODES, COPPER CATHODES (Standard), NICKEL, SILVER, and ZINC.

S&P 100 Index Options

Table of S&P 100 Index Options prices for various strike prices and expiration dates.

London Metals

Table of London Metals prices for ALUMINUM, COPPER CATHODES, COPPER CATHODES (Standard), NICKEL, SILVER, and ZINC.

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Table of U.S. Treasuries prices for 3-month bill, 6-month bill, 9-month bill, 1-year bill, 2-year note, 3-year note, 5-year note, 7-year note, 10-year note, 30-year bond.

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WOLFSBURG, West Germany - Volkswagen AG sold 760,000 cars in West Germany in the first 6 months of 1987, an increase of 1.7 percent over the comparable 1986 period, the management board chairman, Carl H. Hahn, said Friday.

London Metals

Table of London Metals prices for ALUMINUM, COPPER CATHODES, COPPER CATHODES (Standard), NICKEL, SILVER, and ZINC.

Friday's AMEX Closing. Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press.

CURRENCY MARK Dollar Cont...

Frank's OTC Price

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CURRENCY MARKETS

Dollar Continues to Fall in New York

Compiled by Our Staff From Dispatches NEW YORK — The dollar continued to fall Friday in New York, still under pressure amid a general belief that the Reagan administration is unwilling to aggressively defend the currency.

The dollar had closed at postwar lows against the Deutsche mark and the yen in New York on Thursday.

"All indications are that the administration is not too concerned as long as the financial markets remain relatively calm," said James Vick of Manufacturers Hanover Trust Co. "The pressure is going to continue, and the likelihood is for a gradual decline in the dollar."

In New York, the dollar closed at 1.6325 Deutsche marks, down from 1.6325 at Thursday's close; at 128.35 yen, down from 129.05; at 5.5345 French francs, down from 5.5460; and at 1.3295 Swiss francs, down from 1.3323.

The dollar was also lower against the British pound, which closed at \$1.8380, against \$1.8308 on Thursday.

However, the dollar's close was above the postwar lows touched earlier Friday in Asia of 1.6260 DM and 128.10 yen.

Traders said that gloom continued to hang over the market after Thursday's report of an unexpected widening in the October trade deficit to a record \$17.63 billion from \$14.08 billion in September.

Dollar buying Friday by the central banks of Japan and Britain simply slowed the dollar's decline, and was not viewed as an attempt to halt the fall.

The Fed was rumored to have intervened for the second day, but the speculation was not confirmed. Dealers said that any Fed dollar purchases on Friday had little impact.

London Dollar Rates

Table with columns: Currency, Fri., Thu. Data includes Sterling, Japanese yen, Swiss franc, French franc.

"Whatever the Fed is doing, it isn't doing much good," a U.S. bank dealer said.

Over the week, the dollar plunged 3.4 percent against the yen and 2.3 percent against the mark.

A late morning report from the Market News Service, a newswire for the capital and currency markets, quoted an unnamed Reagan administration source as saying that the president opposed the idea of supporting the dollar by tightening domestic credit or intervening in foreign exchange markets.

The report was denied by an official White House spokesman. But a Bank of Montreal foreign exchange trader, Thomas Benfer, said that the denial did not lend support to the currency.

"There's a very negative psychology in the marketplace right now," he said. "People listen for reasons to sell dollars. But they're less likely to pay attention to good news."

Earlier in Europe, the dollar slipped further in the trading, ending below Thursday's postwar New York closings.

In London, the dollar traded as low as 1.6275 DM. It firmed somewhat to close at 1.6315, but that level was still down from Thursday's close of 1.6365. Against the yen, the dollar ended at 128.40, down 1 yen from 129.40.

The dollar also fell in London to 1.3300 Swiss francs from 1.3383 and to 5.5366 French francs from 5.5641. The dollar lost ground against the British pound as well.

which closed at \$1.8380, against \$1.8308.

Traders in London said the mood in dealing rooms was lethargic.

Most traders said that unless the United States signaled that it was satisfied with the dollar's level, the currency would continue to drift down.

The dollar has lost around half its value since concerned international action began pushing it down in 1985.

Earlier in Europe, the dollar was fixed in Frankfurt at 1.6315 DM, down more than 3 pfennigs from 1.6617 on Thursday, and in Paris at 5.5428 French francs, down more than 9 centimes from 5.6375.

In Zurich, the dollar closed at 1.3340 Swiss francs, down from 1.3358 on Thursday.

(Reuters, AFP, UPI)

Japan Is Ready To Intervene

Agence France-Press

TOKYO — Satoshi Sumita, governor of the Bank of Japan, said Friday that the central bank was ready to increase market intervention to prevent the dollar from sliding further.

"The Bank of Japan will promote coordinated market intervention with other countries," Mr. Sumita told the Diet, Japan's parliament. He said that, if necessary, the bank would intervene independently to prevent the yen's further rise.

Meanwhile, Finance Minister Kiichi Miyazawa told the Diet he hoped that a meeting of the Group of Seven industrialized countries would be held after the United States approves deficit-cutting measures.

Mr. Chval, too, said he believed that while the dollar would continue to decline for a few weeks, the Fed may soon have to push up interest rates.

CURRENCY: Dollar Could Firm SCENE: Facing Up to the Deficit

(Continued from Page 1)

Howard Kurz, partner in the New York investment management firm of Buchen, Kurz & Co., said that more drastic medicine was needed.

The dollar will only strengthen when the United States "raises interest rates enough to hit the stock market, allow consumer spending, keep inflation in check and generally slow the economy," he said.

That will require a major policy change which is "real tough in an election year," he said. "We are not at that point yet."

Many analysts also said that even if the dollar were held temporarily at current levels, it could fall further in the months ahead.

Mr. Horne said he believed that it would descend in a series of steps to as little as 100 yen to the dollar by the end of next year or early 1989. Even if there is an international agreement to hold the dollar above 125 yen in the coming weeks, "there will be another round of pessimism," he predicted.

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Euro-Commercial Paper

Table with columns: Maturity (15-45 days, 46-75 days, 76-105 days, 106-135 days, 136-165 days, 166-183 days), Issuer, Bid, Ask, etc.

Japan Banks Constrained in Meeting World Capital Ratio

Reuters

TOKYO — Japanese banks are prepared to comply rapidly with proposed new rules on international capital adequacy, but domestic regulatory controls would prevent them from doing so, bank officials said Friday.

They said that the new standards, approved in principle Thursday by a group of major industrial nations, also would mean that Japanese banks could no longer compete in the size of their assets by lending cheaply.

"That's a really high hurdle to clear," said a manager at a major Japanese bank.

A group known as the Cooke Committee that operates under the auspices of the Bank for International Settlements proposed a requirement that banks in 12 industrial nations maintain capital equal to 8 percent of assets, weighted for risks, by 1992. No common rule now exists.

Kenichi Kamiya, president of the Japanese

Banks' Federation, said he was relieved to know that the proposed capital rule took account of Japanese banking practices, such as hidden reserves and equity cross-holdings.

Japanese bankers said they had anticipated the stiffer adequacy requirements and had already moved to raise their capital ratios by floating new shares earlier this year.

However, the capital ratios of Japan's 13 major commercial banks remain small, ranging from 2.6 percent to 3.46 percent, industry sources said.

Japanese banks have so far been allowed to report much higher ratios by including 70 percent of their hidden reserves, or unrealized gains on their equity, as part of primary capital. If 70 percent of such hidden reserves were allowed to be included, the capital ratios of Japanese banks would average between 9 and 11 percent, the sources said.

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Friday's OTC Prices. NASDAQ prices as of 4 p.m. New York time. This feature is available in terms of dollar volume. It is updated twice a year. Via The Associated Press.

Table of OTC prices for various stocks, including columns for High, Low, and Change.

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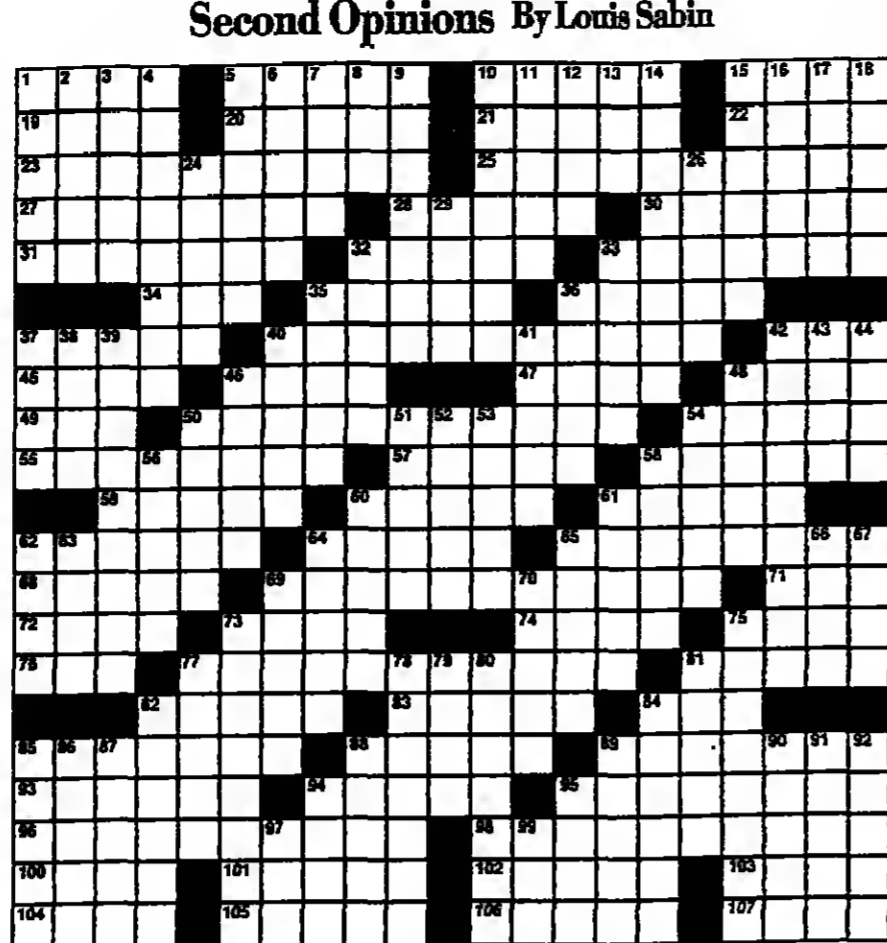
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Friday's AMEX Closing. Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table of AMEX closing prices for various stocks.

ACROSS 1 Burn midnight oil 5 Union unit 10 Taste 15 Jockey's gear 19 "The Informer" site 21 Classic chair 21 Sideshow 22 Air 23 Game for skinny-legged kleglers? 25 Permanent White House staff member? 27 Seth Thomas? 28 Rock immortal 30 Familiar, in Dyon 31 East Indian herbs 32 Links slammer 33 Holdings 34 Murphy, e.g. 35 Ca. city 36 Modify 37 On the mark 40 Where Holmes reviewed 'crimes'?



DOWN 1 Rio Grande feeder 2 Manure 3 Peeler's objects 4 Last word in furniture? 5 Appeared 6 Records 7 Abdul, e.g. 8 Retton score 9 Core 10 Lackey 11 Eschew 12 Brenner is one 13 Ghazel 14 Cashbox 15 Savage, intractable person

© New York Times, edited by Eugene Malachuk.

DOWN 16 Record verification 17 Syrupy liqueur 18 Helen and Carol 24 "Pinafore" salt 26 Slakes 29 Carrillo and Gorcy 32 Impertinent 33 Inventor Howe 36 Put on a pedestal 37 Did a takeover 38 Young salmon 39 Rush-hour queue? 40 Thrux quenchers 41 Narcs' quarry 42 Film maker's excess? 43 Tap tap 44 Atramentous 46 Bulldozed 48 A screen Chan 50 Spinner's machine 51 Tread's neighbor 52 Active TV? 53 Stab 54 Comic Arnold 55 Piece of food 58 "Medea" segment 60 Tickle 61 Steeplechase accident 62 Marie Wilson role 63 Catch red-handed 64 Wards (off) 65 Heavenly Hunter 66 Cinema's Hulot 67 Witness 69 Pant 70 Base unit 73 Cross 75 Treacle 77 Niplane 78 Painter's stool 79 Prep for exams 80 McWire's end-of-season dash? 81 Consumers' protector 82 Site of much horsing around? 84 Insert marks 85 Crazy for bunnies? 86 Muse or Dryad 87 "Make tracks!" 88 Task 89 Bill attachment 90 Skier Sieveor Phil 91 Ignore 92 Flower part 94 Court attempt 95 Scottie's song? 97 Bath, e.g. 99 Vane reading

NORTH TO THE POLE

By Will Steger with Paul Schurke. 339 pages. \$19.95. Times Books, 130 Fifth Avenue, New York, N. Y. 10011.

Reviewed by Dennis Drabell

THERE is no doubt as to who first reached the South Pole: the Norwegian Roald Amundsen in 1911. The North Pole is a different matter. For one thing, it lacks a fixed surface, where one might plant a flag or build a cairn. Antarctica is a continent, but the arctic is a sea, mostly frozen and always on the move, and the icecap atop the polar point one year may have strayed several miles south (the only direction possible) by the next.

In addition to this inherent verifiability problem, history has thrown up rival claimants, both American and each with weaknesses in his case, for the North Polar prize. Frederick Cook claimed to have reached it in 1908, Robert Peary in 1909. Cook was unable to produce verifiable records of his journey, and Peary's final sprint — in which he and his men logged 25, 30, 40 miles a day — seemed too good to be true. Though most judges have found for Peary and his unsung assistant, a black man named

BOOKS

Matthew Henson, there is lingering uneasiness in court.

It was partly in order to dispel these doubts that two Minnesota wilderness outfitters, Will Steger and Paul Schurke, mounted their spring 1986 polar expedition. They and their six companions relied on dog sleds and got along without resupply.

The literature of exploration is uncommonly blessed with stylish writing and probing examinations of humans under stress, and "North to the Pole" adds to the luster. Steger excels at framing the challenges of travel on icecap. "Moving sleds over the polar snow," he writes, "was like dragging boats over boulder fields." It was hard to decide which were more taxing, the pressure ridges, where heaved-up chunks of ice barred the way, or the valleys in between, where snowdrifts lay waiting. Only when the expedition happened upon leads — fissures in the icecap that had filled with water and frozen over — was progress smooth.

Steger supplies the workaday details of life in a bitterly cold climate that make polar narratives so compelling. They slept fully clothed inside their sleeping bags to be ready in a trice should the ice

start cracking beneath them. To satisfy their bodies' cravings for fat, they munched on butter sticks like bananas. In the morning they all left their tents on cue to prevent one group's keeping another waiting and shivering outside. To cope with freezing ink, the journal-keeping Steger would get a relay going between his hand and a supply of thawed pens cached inside his clothing and warmed by his body heat.

The expedition differed from the classics in one humane respect. Rather than kill their spent dogs and feed them to the others, Steger and company had them airlifted out — which also allowed the unforeseen evacuation of two injured team members.

The group nearly unraveled toward the end, when both food supply and daily mileage were running low. The unveiling of Plan B, by which only Steger and Schurke would make a dash for the pole, almost caused mutiny. A streak of superb weather tilted this compass and led, and a navigational error fortuitously sent them all sledding around a lengthy open lead. On May 1, 1986, five men and one woman (the first to do so) stood on that patch of icefield which, at the time, happened to be covering the geographical concept known as the North Pole.

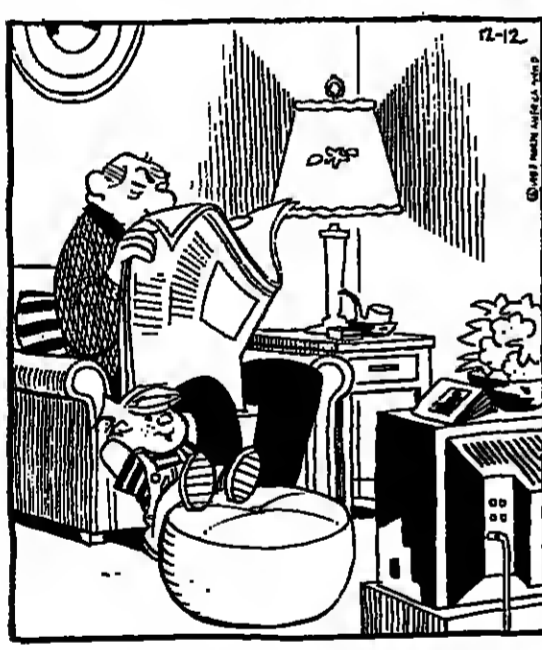
The expedition's heady pace in the final two weeks lends credence to Peary's candidacy. "The average mileage for our last five marches — just under 34 miles — was virtually the same as what he clocked on his final dash," Steger writes. "As did we and all other polar expeditions of this century, Peary found steadily improving ice conditions during the last few hundred miles."

Moreover, Steger has studied a photograph of an island Cook claimed to have sighted a few hundred miles out to sea. Confronted later by the indisputable fact that there is no such island, Cook's supporters called it an icecap that their man had mistaken for land. Steger concludes that the body in the photo is indeed land: "The topography is distinctly geologic, fingerprinting it as a rock formation rather than one of ice."

Not only did Steger and his band reach the North Pole. They also appear to have settled, as certainly as anyone can, the question of who got there first before them.

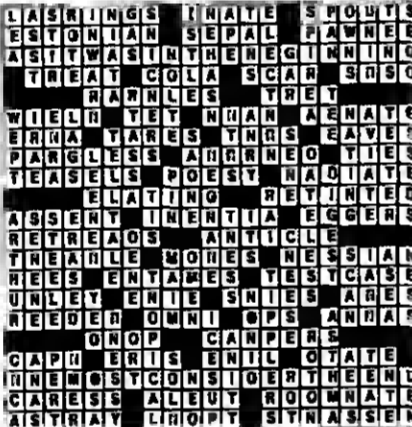
Dennis Drabell, a Washington writer and editor, wrote this review for The Washington Post.

DENNIS THE MENACE



"IT'S SURE LUCKY YOU LIVE NEXT DOOR, MR. WILSON. MY MOM DOESN'T LIKE THESE CARTOONS."

Solution to Last Week's Puzzle



WEATHER

Table with weather forecasts for various regions including Europe, Asia, Africa, Latin America, North America, Middle East, and Oceania. Columns include location, high, low, and other weather indicators.

World Stock Markets

Via Agence France Presse Closing prices in local currencies, Dec. 11

Table of world stock market data for various countries including Amsterdam, London, Hong Kong, Frankfurt, Zurich, and Tokyo. Lists stock indices and prices.

PEANUTS



BLONDE



BEETLE BAILEY



ANDY CAPP



WIZARD of ID



REX MORGAN



GARFIELD



See Paris

Table of stock prices for Paris, including indices and various stock prices.

See Toronto

Table of stock prices for Toronto, including indices and various stock prices.

See Zurich

Table of stock prices for Zurich, including indices and various stock prices.

See Tokyo

Table of stock prices for Tokyo, including indices and various stock prices.

See London

Table of stock prices for London, including indices and various stock prices.

See Frankfurt

Table of stock prices for Frankfurt, including indices and various stock prices.

See Amsterdam

Table of stock prices for Amsterdam, including indices and various stock prices.

Large vertical advertisement on the right side of the page, featuring the word 'Domed' at the top and 'But as Season Playoff Hop' below it. It includes a 'SCOREBOARD' section and a 'Bank' logo at the bottom.



SPORTS

'Domed'

By Ira Berkow
NEW YORK — Mallons, or mailpersons, as the case may be, increasingly must be even harder than football players.

Football Is

been associated with the brutal pleasures of football.
Last Sunday evening a football game, seen on national television, was played in the newest and nastiest and noisiest of the covered hippodromes, the Hubert H. Humphrey Metrodome in Minneapolis, known locally as The Hump.

Sinking to

the Level
Now, no one can disparage roller derby, not in this space, anyway — and Ditka probably wasn't, noting only that there were different forms for different sports.

of Roller

Derbys
And when, in film clips the other day, we saw Ditka take a joke and don the roller skates sent him by the Vikings, then skate on the carpet through the Bears' office, we noted that he, too,

But as Season Dwindles,

Playoff Hopes Still Rise
By Gerald Eskenazi
NEW YORK — With but three games left in the National Football League's regular season, no one in the American Conference can make plans for New Year's.

Will the Vikings

Sack Moscow?
The Associated Press
MINNEAPOLIS — Summit meeting fever has surfaced in the National Football League.

Tokyo Bids for Righetti, Steinbrenner Yells Foul

By Murray Chass
NEW YORK Times Service
DALLAS — Free-agent relief pitcher Dave Righetti can defect to Japanese baseball for at least \$8 million over two years, but the huge offer has left him "confused" and has prompted the New York Yankees' owner, George Steinbrenner, to say that it could seriously damage U.S.-Japanese baseball relations.

Righetti is a solid kid and I think his parents will have something to say about it. It's up to the kid. He's going to have to come to a conclusion soon.
Steinbrenner said he would not try to match the Tokyo offer but would consider offering Righetti the third year he wants.



GLASNOST, NOT DETENTE — Nikolai Maslov of the Soviet Selects and Steve Leach compared sticks Thursday night in Richfield, Ohio. Team USA won the first of eight exhibition games, 8-5.

Maybe Minnesotans Are Mostly Very Rich
The Associated Press
SHAKOPEE, Minnesota — This state's horse players left \$320,000 worth of betting tickets uncashed in 1985.

AMERICAN CONFERENCE
Buffalo Bills (6-6) at Indianapolis Colts (7-5): The last time these clubs met in a meaningful game was 1975.

NATIONAL CONFERENCE
Chicago Bears (10-2) at San Francisco 49ers (7-5): Mike Tomczak is 10-0 as the Bears' starter.

SCOREBOARD
Basketball
NBA Standings
EASTERN CONFERENCE
Atlantic Division
Boston 17, Phila. 7, New York 7, Washington 7, New Jersey 7

World Cup Skiing
Transition
BASEBALL
MINNESOTA — Troled Dave Vetch, pitcher to Cleveland for Bill Campbell, pitcher assigned to Cleveland for Bill Campbell, pitcher assigned to Cleveland for Bill Campbell.

Hockey
National Hockey League Standings
WALLES CONFERENCE
Patrick Division
NY Islanders 17, NY Rangers 15, Pittsburgh 11, Philadelphia 11, NY Rangers 11

Tennis
Masters Doubles
(At London)
Mansour Bahrami and Tomaz Smid, Croatia, defeated Laurie Warder and Peter Doherty, Australia, 6-4, 6-3, 6-3.

Save 40% or more off your newsstand price when you subscribe for 12 months to the International Herald Tribune. The longer you subscribe the more you save.

Table with columns for NBA Standings (Eastern and Western Conferences), U.S. College Results, and Thursday's Results.

Table with columns for World Cup Skiing, Transition, and Hockey National Hockey League Standings.

Table with columns for Tennis Masters Doubles and National Hockey League Standings (Wales Conference).

Table with columns for National Hockey League Standings (Patrick Division) and Thursday's Results.

IOC Closes Loopholes in Drug Rules
LAUSANNE, Switzerland (AP) — Two loopholes in the anti-doping rules of the Olympics were closed Friday, while jai alai and roller hockey were added as demonstration sports for the 1992 Games in Barcelona.

